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The Commercial and FINANCIAL CHRONICLE

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Says Morgenthau Wrongly Accuses Bankers of Selfishness

In a short address on Feb. 8 in the House of Representatives Congressman Fred L. Crawford, Republican of Michigan, took issue with the statements of the Secretary of the Treasury, Henry Morgenthau, Jr., at his press conference on February 5, in which Mr. Crawford says, the Secretary "publicly spanked the banks because they suggested a modification of the Bretton Woods program, evolved largely by the American and British Treasuries." Mr. Crawford defended the patriotism of the bankers, and denied that the banks took a selfish attitude and did not "look beyond their own business interests."


F. L. Crawford

Secretary Morgenthau, the Bankers, and Bretton Woods

"Upon two or more occasions," Mr. Crawford began, "certain committees of the House have been called together to listen to presentations from Secretary of the Treasury Morgenthau and Mr. White on the so-called proposal

(Continued on page 742)

Problems of Tax Reform

By HON. FRANK CARLSON*
Representative in Congress from Kansas

Republican Member of House Ways and Means Committee Reviews Background of the National Revenue Structure and Asserts That If Government Overloads Business With Taxes, It Will Lose Both Business and Taxes. Urges Simplification of the Tax Structure. Holds Income Taxes Have Reached the Point of Discouragement and That Normally There Should Be But One Corporation Tax.

It is a privilege to appear before this group of distinguished and practical experts.


Hon. Frank Carlson

More properly, you should be addressing me. For you gentlemen, keenly attuned to the problems of business and employment arising from taxation, can speak with the authority that only painful experience brings.

Further than that, the Congress and the nation should thank you collectively and individually for your assistance in putting into operation the system of withholding taxes. Without this practical addition to our tax structure, very likely it would have fallen of its own weight.

I have not heard one substantial complaint about your self-imposed tax collection job. I wish I could say that there were no complaints about our tax framing job.

*An address by Representative Carlson before a meeting of the Controllers' Institute, at the Hotel New Yorker, New York City, February 8, 1945.

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"Steel Tomorrow"

By WALTER S. TOWER*
President, American Iron and Steel Institute

Stressing the Uncertainties Regarding the Future Demand for Steel, Mr. Tower Asserts That the One Thing the Steel Industry Can Do to Broaden and Intensify Its Markets Is to Offer Steels of Ever Higher Qualities and Wider Usefulness. Points Out New Uses for Steel and Emphasizes the Importance of Stainless Steel Developments. Maintains Plastics Will Increase the Uses of Steel and Believes More Light Steel Will Be Used in Residential Construction and in Motor Equipment.

What lies ahead for the steel industry is certainly a vital question. It deeply concerns the half million people who as managers and employees work to produce steel. It has more than casual interest for the somewhat larger number, who as holders of steel company stocks, are the owners of the industry. And it also means much to the 135,000,000 people whose lives are affected in more or less degree by the steel that is produced.


Walter S. Tower

Yet only a man who is equipped with a crystal globe in good working order and a well-fitting mantle like Elijah's has the equipment necessary to penetrate the fog and mists that cloud the future, to specify in any detail what steel will do as this country moves from war to peace.

*An address by Mr. Tower before the Association of Customers' Brokers, New York City, February 6, 1945.

(Continued on page 724)

The Economic and Political Consequences of Lord Keynes' Theories

By PHILIP CORTNEY
Vice-Chairman and Treasurer of Coty, Inc.

II

Great Britain's Fear of the Gold Standard

Writer Debunks a Few Generally Accepted Views Which Serve to Feed the Present Campaign Against the Gold Standard and Exchange Stability—Refutes the Assertion That Great Britain Made a Mistake in Returning to Gold in 1925. Examines the Controversial Question of Whether the Return to Pre-War Parity of Sterling Was an Error. Shows That the Depression of 1929 Had Become Inevitable for Reasons Which He Describes and Among Which the Gold Standard Has Only a Small and Indirect Responsibility. Maintains That British Recovery of 1932-1938 Is Not Due to the Fact That Great Britain Went Off the Gold Standard. Strongly Opposes Exchange Control, Asserting That Such Control Is Incompatible With International Harmony, Liberty at Home and Free Enterprise. Is a Strong Believer in Anglo-American Cooperation for the Preservation of Peace and Invites Our British Friends to Counteract the British Campaign for Exchange Control and Against the Gold Standard.


Philip Cortney

In England, the gold standard has become a real scarecrow. One can state without great risk of being mistaken that any English states-

(Continued on page 736)

Morgenthau Says Nation Has Ability To Service Debt

In His Annual Report to Congress He Says With Present Low Interest Rates and Taxability of the Bonds, the Problem of Public Debt in Post-War Period Will Be Eased and Make Possible a More Equitable and Better Balanced Tax System. Defends Issue of Short Term and Redeemable Bonds and Is Opposed to Post-War Refunding Into Long Term Issues.

In the section dealing with "Debt Management," in his annual report to Congress for the fiscal year 1944, Secretary of the Treasury Henry Morgenthau Jr. expresses confidence that the heavy public debt will not prove a burden to the nation's economy and the charges will amount to less than 2% of the anticipated annual net income. He expressed high satisfaction with the present methods of Government borrowing by issues of a variety of obligations with different maturity and redemption provisions, and voiced opposition to any plan for the refunding of short-term Treasury notes and redeemable bonds into long-term obligations.


Sec. Morgenthau

The text of this portion of the Treasury's report follows:

"It is certain that the present war will leave the United States with a large public debt. There is no question of the ability of the country to service this debt as the tables on pages 2 and 3 of the report indicate. Estimated expenditures on account of interest on the debt for the fiscal year ending June 30, 1945, amount to less than 2% of the anticipated gross national product for the some period. Production will probably be at a lower level, and the debt will certainly be somewhat larger after the war than now. The interest charge will thus represent a larger proportion of the national product, but it will still be a relatively small proportion. The payment of interest on the debt, furthermore, does not decrease the amount of the gross national product available for consumption or capital expansion. It is a transfer operation by which the amount of the interest is col-

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Lester Miller Now Is With Laird & Company

Laird & Company, 61 Broadway, New York City, members of the New York Stock Exchange and other leading national exchanges, announce that Lester S. Miller has become associated with them. Mr. Miller was formerly Manager of the Investment Department of A. L. Stamm & Co.

No Social Benefits Without Economic Opportunities

By JOHN W. BRICKER*
Former Governor of Ohio

Contrasting Economic Opportunities in Lincoln's Time With the Present, Mr. Bricker Points Out That the "Cry Has Come for a Government-Managed Economy." Attacks This Philosophy as Unsound and States That Government Cannot Continue to Provide Social Benefits Unless There Are Economic Opportunities. Says the Heart and Soul of the New Deal Policy to Tax and Spend Will Destroy America, and That "Individual Opportunity Again Must Be Written Across the Banner of the Republican Party." Holds International Goodwill Cannot Be Bought With Dollars.

We gather together tonight in one of the most disturbed period of time. The impact of war is so great, the consequences so incomprehensible that the world seems stumbling into tomorrow. Death and human suffering have seared the souls of men. The vision of people has been clouded. The power to destroy seems to have overcome man's ability to defend his heritage or plan his future.


John W. Bricker

In such a time lived the great Lincoln. Powerful of body, strong of mind, inspired in spirit, the storm of battle all about him, with the Constitution as his chart, he pointed the way to a nobler and a freer day for his country. From the days of his youth the frontier lured Lincoln ever on. Limitless opportunity to the industrious was the atmosphere in which the strong men of Lincoln's Day built their own security. The vital principles of personal freedom which had led to the American Revolution were still fresh in the minds of those self-reliant pioneer people. In their judgment the only purpose of government was to serve people, not direct their destiny or master their lives.

Lincoln's people had deep religious convictions. They believed in the dignity of and worth of the human personality. They felt the highest purpose of government was to give the individual the opportunity to live, to grow and to work out his own life, under a system of laws, inspired by and ever under the control of the people themselves.

In all ages there have been men who stood and walked upright alone, conscious of their strength with full knowledge of the direction in which they were going. Others in every society have had to be led or driven. In Lincoln's time and in the place where he lived, more men of purpose moved alone under their own convictions than at any other time or at any other place of history.

Then even in time of hardship the necessaries of life were avail-

*An address by Mr. Bricker at the Lincoln Day National Republican Dinner at the Waldorf-Astoria Hotel, New York City, Feb. 12, 1945.

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Over-The-Counter Trading

We have, from time to time, referred to the functions of the over-the-counter market as distinguished from trading in listed securities.

In such editorial comment, it has been our effort to point out the contrasting functions of these respective and different markets.

We have also commented on the pending application by the New York Curb Exchange before the Securities and Exchange Commission to extend unlisted trading privileges to certain securities.

In that application during the course of oral argument held before the Commission, Mr. Spencer C. Thayer, on behalf of the National Association of Securities Dealers, said, amongst other things,

"*** **If the staff had been in fact impartial, it would have introduced evidence of the relative services and functions of the two markets,** ***"

The reference was to the staff of the S.E.C., and the markets referred to were the over-the-counter and the New York Curb.

This is as good a time as any to emphasize the independent functions of the over-the-counter market, many of which were referred to by Mr. Thayer and others pointed out in the brief filed by the N.A.S.D. during the October 1944 Term of the United States Circuit Court of Appeals for the First Circuit, in the matter of Shawmut Association, petitioner, against Securities and Exchange Commission, et al., respondents.

In contrast to Exchange functions, which, in their elementary forms constitute the matching of buy and sell orders for securities traded in on the Exchange, over-the-counter activities are much more complex.

In primary or original distributions, the over-the-counter market furnishes practically the entire organization for the sale and distribution of new issues of securities.

As to existing issues, it also plays a vital part in secondary distribution.

Even though government bonds are traded upon on Exchanges, the over-the-counter market furnishes a trading medium and in fact, the principal market for government issues.

It is also the market for State and Municipal bonds, and constitutes to a great extent a very

(Continued on page 728)

Public National Bank Names Hayward V.-P.

E. Chester Gersten, President of the Public National Bank and Trust Company of New York, announces the election of H. A. Hayward as Vice-President in Charge of the Foreign Department, effective February 15.

H. A. Hayward

Mr. Hayward's experience includes 18 years with the Foreign Department of the Chase National Bank, New York, active association with foreign trade in Cleveland as manager of the Foreign Department of the Cleveland Trust Company, and two years as Executive Assistant in the office of the Co-ordinator of Inter-American Affairs, Washington, D. C. Mr. Hayward comes to the Public National from the Union Trust Company of Maryland, Baltimore, Md., where he headed the Foreign Department.

Mallory, Adee & Co. to Admit George E. Tompkins

Mallory, Adee & Co., 120 Broadway, New York City, members of the New York Stock Exchange and other leading exchanges, will admit George E. Tompkins to partnership in the firm on March 1. Mr. Tompkins has been associated with Mallory, Adee & Co. for some time as cashier.

On Feb. 28, Stanley W. Burke, Henry E. Coe, Jr., Robert E. Strawbridge, Jr., special partners, and William L. Strong, Jr., general partner, will retire from the firm.

Mental Attitudes in Finance

By JOHN CLIFFORD FOLGER*

President, Investment Bankers Association

Mr. Folger Stresses the Importance of Venture Capital in Creating Jobs, But Points Out That Because of the Investors' Mental Attitude for Security, There Is a Stagnation of "Calculated Risk" Despite the Huge Surplus of Liquid Capital. Ascribes This to the Desire for "Super-Duper" Safety Which Has Frozen Savings Into Riskless Securities and Riskless Pools of Cash. Lists as Promoting Right Mental Attitudes Towards Finance: (1) Put Money to Work and Take Risks; (2) Care by Investment Bankers; (3) Constructive Investment Advice by Banks; (4) Unshackling of Business; (5) Changed Attitudes by SEC; and (6) Abandonment of Taxation Aimed at Redistributing Income.

In the comparative calm which follows an election and the inauguration—if you care to apply the word calm to this most recent period — most business men are inclined to take stock on a non-political, non-emotional basis.

John C. Folger

In the recent campaign and no less since, three things about business have been stressed: "jobs for all," "little business," and "venture capital." These things are all tied up together. They are interdependent.

Let's talk "jobs" first. In Washington there are 464,000 gainfully employed people of whom 260,000 work for Uncle Sam in one way or another.

In Washington, when a young man or woman begins to look for a job, they instinctively think first of a government job, its reasonable hours, regular vacations, sick leave, steady pay, retirement benefits and the secure feeling that once on the payroll, they are fixed for life. While not so stated on the traffic signs—the rule of life for the government job is:

*An address by Mr. Folger before the Advertising Club of Baltimore, February 10, 1945.

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Will $5 Billion Solve Britain's Problem?

By HERBERT M. BRATTER

Writer Contends That a Gift or Liberal Long-Term Loan to Great Britain Will Not Restore Britain's Prewar Economic Position. Holds Britain Could Use Part of a Loan or Grant to Finance Her Exports by Granting Credit to Her Customers, and to Increase the Home Pressure for Social Reforms. Concludes That to Restore a Strong Britain Requires "Our Continuing Attention Over the Years."

Herbert M. Bratter

In current discussions of foreign post-war needs for American help, foremost position is usually given to the British problem. Exchange stabilization is frequently viewed as mainly the problem of the pound-dollar cross rate. Some advocates of the key-country approach have suggested—along with other things—a liberal long-term loan or gift of $5,000,000,000 to Britain from this country to make that country economically independent.

Some observers, however, are doubtful whether such a shot in the arm, generous though it would be, would provide a lasting solution, or whether further large transfusions would not be

(Continued on page 742)

How To Keep Up Employment

By DR. WILLFORD I. KING
Professor of Economics, New York University
Member, Economists' Committee on Reconversion Problems

Economist, After Enumerating Plans for Maintaining Full Employment in the Transition Period, Holds That None of Them Solve the Problem. He Opposes the Ezekiel Plan to Have Government Buy Surpluses of Goods Produced on the Ground That It Would Establish Fascism and Lead to Political Wire Pulling and Graft. Holds That No Amount of Spending Power Will Give Full Employment If Wage Rates Are Too High, and Advocates Keeping Spending Power Large Enough and to Keep Down the Average Wage Rate, as at Present.

The fact that, throughout the entire period, 1930 to 1940, a sizable fraction of the nation's potential working force was idle has made us extremely fearful that we may have mass unemployment after the war. As a result, hundreds of individuals and committees are working on plans to assure "full employment" after the army is disbanded. The plans for attaining this goal commonly propose to proceed along one or more of the following lines:

Willford I. King

1. To put the would-be worker into contact with the would-be employer.

2. To encourage the starting of new enterprises or the expansion of existing enterprises into new fields. A corollary of this idea is the encouragement of investment.

3. Assignment of quota programs for farms, mines, and factories, with the Government standing ready to buy any surpluses that may appear.

4. Tax manipulation of one kind or another.

5. Government spending — primarily for public works.

Those advocating these programs are usually public-spirited citizens actuated by earnest desires to serve humanity. Unfortunately, in most instances, they do not understand the forces causing unemployment, hence they will probably succeed no better than they would if they threw dice to determine their policies.

For example, the attempt to increase employment by improving job-finding facilities obviously breaks down at a time when there are but 40,000,000 jobs for 50,000,000 job seekers—and such is the typical situation in any time of depression. What placing committees really accomplish at such times is to see that their proteges get the jobs that otherwise would go to persons unknown.

The notion that employment can be increased by stimulating investment appeals strongly to conservative economists and business men. Unfortunately, however, in times of depression when unemployment constitutes a problem, orders for products are few and far between. Under such circumstances the concern is rare indeed which has any inclination to expand its plant or to install new machniery, and few persons have any urge to start new enterprises. Therefore, the idea that investment is a cure for unemployment does not fit in with the facts.

However, if, immediately following the war—a time when orders for goods are likely to be superabundant—the Federal Government removes all restrictions on business and eliminates all taxes which penalize profit making, the chances are that reconversion and expansion of activities will go far toward preventing unemployment from developing.

One of the most elaborate and carefully prepared plans for preventing unemployment is that worked out by Mordecai Ezekiel.

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Jimmy Walker Pres. of Majestic Records

James J. Walker, former Mayor of New York City, who has recently been acting as impartial Chairman of the coat and suit industry, has been elected President of Majestic Records, Inc., a recently formed record manufacturing company.

The new firm, a subsidiary of Majestic Radio and Television Corporation of Chicago, recently acquired three smaller concerns which now turn out more than 15 million records a year. Mr. Walker said the company planned to acquire still more concerns to increase capacity, and revealed that he had become a director of the parent company some time ago.

Executive offices will be at 29 West 57th Street, New York City, with a production plant in Newark. Chairman of Majestic Records, Inc., is Eugene A. Tracey, of Chicago, President of the parent corporation; Executive Vice-President is Eli Oberstein of New York.

Mr. Walker stated that he had "a very deep and affectionate interest" in the garment industry, and would stay on the job until a successor is found for him as umpire of grievances. When one is found, he will leave immediately to take up his new work, which, he said, is "no fronting thing," but a full time job.

Major J. N. Slee Is Gillen & Co. Partner

Gillen & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announce that Major James N. Slee has again become a general partner in the firm. Major Slee has just been released from active duty in the U. S. Army Air Forces where for the last three years he has served in the training command. He had previously been a floor member for both Grover, O'Neill & Co. and Charles D. Robbins & Co.

Major Slee's admission to Gillen & Co. was previously reported in the "Chronicle" of Jan. 4.

Proper Compensation for Corporate Management

By A. WILFRED MAY*

Mr. May After Pointing Out That There Is No Public Regulation in the Interest of Security Holders Regarding Corporation Executives' Compensation Other Than Publicity Imposed by the SEC, Maintains That the Basic Difficulty Lies in Finding a Scientific Gauge, or Statistical Yardstick for Finding a "Market Rate." Holds That Publicity Has Serious Drawbacks and Advocates Organization of Investors to Consult With Company Officials in a Business-Like Manner.

A. Wilfred May

Questions relating to management compensation remain most intriguing, and difficult of definable or logical solution, for all who are concerned — for the objective disinterested student as well as the company official, for the corporate directors, for the banker, the occasionally - interested stockholder, and the public regulatory body. Although the Securities and Exchange Commission performs a host of functions for the investor, and has assumed financial regulation of practically every kind and character, on questions of executive compensation, it has been forced to leave the investor's protection to the act of *publicizing* the amounts of compensation. As far as national regulation is concerned, the wages of sin is *publicity*.

Difficulties of the courts in arriving at any *legal* formula for an individual's worth to a company are well illustrated in two famous decisions. Let me first quote from the American Tobacco case decision: "We have long since passed the stage in which stockholders, who merely invest capital and leave it wholly to management to make it fruitful, can make absolutely exclusive claim to all profits against those whose labor, skill, ability, judgment, and efforts have made profits available. The reward, however, must have reasonable relation to the value of the services for which it is given, and must not be in whole or in part a misuse or waste of corporate funds, or a gift to a favored few, or a scheme to distribute profits

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*Opening address by Mr. May at the Investors' Fairplay League's Clinic on Management Compensation, Hotel Pennsylvania, New York City, Wednesday, Jan. 31, 1945. Mr. May has served as Expert of the Securities and Exchange Commission and as Director of Research and Statistics, Treasury Department, War Finance Division, New York State.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Break Down Government Bond Portfolios—Circular—**Laird, Bissell & Meeds**, 120 Broadway, New York City.

"Confident Year"—Bulletin on the outlook for eight vital industries, reviews thirty-four securities—**Strauss Bros.**, 32 Broadway, New York 4, N. Y.

"Dynamic Economics"—preparation of demand studies—**Econometric Institute, Inc.**, 500 Fifth Avenue, New York City—$5.00 per copy.

Fortnightly Market and Business Survey—Reviews the basic influences on the post-war outlook for steel operations and analyzes the prospects and earnings possibilities for seven important steel companies; a secondary article presents a "speculative bond package"—**E. F. Hutton & Co.**, 61 Broadway, New York 6, N. Y.

National Monthly Stock and Bond Quotation Service — Free trial offer being made by **National Quotation Bureau, Inc.**, 46 Front Street, New York 4, N. Y.

Off Board Securities Market, The—A 48-page illustrated booklet spotlighting the present-day activity of the nation's largest securities market, the over-the-counter market—**Merrill Lynch, Pierce, Fenner & Beane**, 70 Pine Street, New York 5, N. Y.

Performance—An 11-year study of market action and income—**Huff, Geyer & Hecht**, 67 Wall Street, New York 5, N. Y.

Possible Excess Profits Tax Liability for 1945—Circular—**Laird, Bissell & Meeds**, 120 Broadway, New York City.

Aetna Life Insurance—Descriptive memorandum — **Charles W. Scranton & Co.**, 209 Church Street, New Haven 7, Conn.

Also available are memoranda on **American Hardware Corp., Scovill Manufacturing Co., Torrington Co., Connecticut Light & Power Co., Connecticut Power Co., Hartford Electric Light Co., United Illuminating Co.**

Allegheny Ludlum Steel Corporation—Discussion of the interesting speculative possibilities of this issue—**H. Hentz & Co.**, Hanover Square, New York 4, N. Y.

American Arch Co.—Analysis—**W. J. Banigan & Co.**, 50 Broadway, New York 4, N. Y.

American Bantam Car—Circular on this situation—**Hoit, Rose & Troster**, 74 Trinity Place, New York 6, N. Y.

Billings & Spencer—memoran-

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NSTA Notes

CHICAGO, THE BOND TRADERS CLUB OF

The Winter Dinner of The Bond Traders Club of Chicago was held Jan. 30 at the La Salle Hotel, at which the new officers for 1945 were presented. There was an especially good turnout of members and in addition there were over 100 guests, among which were seven members of the Executive Council of the NSTA together with 25 National Committeemen.

CLEVELAND SECURITY TRADERS ASSOCIATION

The Cleveland Security Traders Association has a new Constitution. The principal change is the creation of an administrative Board of Governors. This Board consists of nine members (four officers, four elected governors and a fifth governor who is automatically the past-President from the previous year) instead of as heretofore just four elected officers. The four elected governors and the ex-President (none of whom are eligible to be an officer during the ensuing year, and none of whom are eligible for re-election to succeed themselves) will henceworth be responsible for appointing the four officers completing the Board of Governors.


Corwin L. Liston


Henry Gawne


R. A. Gottron


Ben J. McPolin

To put it into effect immediately, an election was held this past week to select the four governors who with the four officers elected in September last and the last past-President complete our Board of Governors for this year ending Sept. 30. The current officers are: M. A. Cayne, Cayne Ralston & Co., President; Clarence F. Davis, First Cleveland Corp., Vice-President; William A. Koeth, Gunn Carey & Co., Secretary, and Richard N. Cone, Finley & Co., Treasurer. The new governors taking office are: C. L. Liston, Prescott & Co., past-President; Don Plasterer, Hornblower & Weeks; Harry Gawne, Merrill Turben & Co.; Richard Gottron, Gillis Russell & Co., and B. J. McPolin, McDonald & Co.

The Mid-Winter Dinner Meeting of the CSTA was held Friday, Feb. 2, at the Hotel Statler, at which time the new governors were introduced. Arrangements were under the direction of George Opdyke, Ledogar Horner & Co. Among the guests were Paul I. Moreland, Allman Moreland & Co., Detroit, and Frank Meyer, The First Michigan Corp.

Arriving in town in time for the Cleveland meeting was the contingent of five who represented Cleveland in Chicago this week, namely, E. E. Parsons, Jr., National President, W. J. Mericka & Co.; George Placky, L. J. Schultz & Co.; James N. Russell, Gillis Russell & Co., and National Committeemen C. L. Liston, Prescott & Co., and R. D. Diehl, McDonald & Co.

LOS ANGELES SECURITY TRADERS ASSOCIATION

Security Traders Association of Los Angeles, formerly Bond Traders Association of Los Angeles, reports the change of name of this organization, effective at once. This affiliate now has 55 active members and 20 members in the armed forces.

Calendar of Club Events

Twin City Bond Traders Club—Annual Winter Meeting, Feb. 21.

Bond Club of Chicago Elects Collins President

CHICAGO, ILL.—At the thirty-fourth annual dinner and meeting of the members of The Bond Club of Chicago, the following officers were elected:

President—Julien H. Collins, Julien Collins & Company. Secretary—Paul L. Mullaney, Mullaney, Ross & Company. Treasurer—Lee H. Ostrander, William Blair & Company. Directors to serve for one year are the officers and—William A. Fuller, William A. Fuller & Co.; George S. Haskell, Smith, Barney & Co.; Hardin H. Hawes, Harris Trust & Savings Bank; James M. Howe, Farwell, Chapman & Co.; James J. McNulty, Ames, Emerich & Co., Inc.; George F. Spaulding, The Northern Trust Company. Mr. Collins succeeds George F. Spalding of the Northern Trust Co. as President of the Club.


Julien H. Collins

The nominating committee consisted of Jay N. Whipple, Bacon, Whipple & Co., Chairman; Charles F. Hemenway, The Illinois Company, and Holden K. Farrar, Smith, Barney & Co.

Joseph Fagan to be Dan'l Rice Partner

CHICAGO, ILL.—Joseph A. Fagan will be admitted to partnership in Daniel F. Rice and Company, Board of Trade Building, members of the New York and Chicago Stock Exchanges, as of March 1. Mr. Fagan has been with the firm for many years.

Pollard With Otis & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—Edgar V. Pollard has become associated with Otis & Co., Field Building. Mr. Pollard was previously with the U. S. Treasury Department in Chicago.

Bretton Woods Plans Vital Road Toward Int'l Economic Cooperation: Morgenthau

In St. Louis Address He Warns Against Renewal of Competitive Currency Wars. Says International Bank Will Produce a Flourishing World Trade and Heavy Export Demand for Our Produce. In His 1944 Annual Report He Reviews Pre-War Efforts for Currency Stabilization and Concludes Bilateral Agreements Are Inadequate.

Secretary of the Treasury Henry Morgenthau, Jr., strongly urged the adoption of the Bretton Woods proposals in an address before the St. Louis Chamber of Commerce at St. Louis, Mo., on Feb. 14, 1945.

"If we are to trade with one another, using different currencies, then there must also be reasonable stability in the values of our currencies when we exchange them," he said.

"After the last war," he continued, "informal attempts were made to stabilize currencies, but they failed. The underlying cause of the failure was that each country regarded currency problems as matters of its exclusive concern. But when a country altered the exchange value of its currency, whether as an honest attempt to maintain stability or as a surreptitious grab for somebody else's markets, other countries were inclined to regard the change as an act of economic aggression.

"Such competitive currency depreciation," Mr. Morgenthau declared, "led to other forms of economic warfare. New controls were put on exchange between countries; the blocked balance was developed; currencies were introduced which had different values, depending on who owned them or how they were used, and to whom they were paid. Germany alone before the war had more than 20 different types of marks which she used in foreign trade. Almost all of the new currency tricks restricted and burdened trade. They must certainly be counted as a contributory cause of the great depression; and they were the first phase of the tragic war in which we are now engaged."

"These experiences," continued the Secretary, "made it plain that monetary cooperation must be world-wide. We in the Treasury began, in 1941, to draft prelimi-

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A. C. von Stein With S. Duane Lyon Inc.

S. Duane Lyon Inc., 9 Rockefeller Plaza, N. Y. City, announces that Arthur C. von Stein has joined its staff as Public Relations Director. He will be in charge of the newly expanded public relations division of the agency which is offering an ever widening service to its advertising and public relations clients.

Arthur C. von Stein

Mr. von Stein was formerly with the National Industrial Information Committee of the National Association of Manufacturers and account executive in charge of public relations of the New York Cotton Exchange for Publicity Associates, Inc.

Railroad Securities

All of the Baltimore & Ohio securities, even down through the common stock, have been attracting considerable market interest recently at progressively higher prices in periods of general market stagnation. Apparently this renewed interest stems from the expectation that the Interstate Commerce Commission will act shortly on the company's proposed voluntary readjustment plan. Hearings on the plan were held early in January and it is logical to expect that action may be taken before the month is out. The general feeling is that the Commission will approve the terms.

Almost immediately after commission approval the road will presumably start an active campaign to get deposits of bonds in approval. In seeking these approvals the company will be aided by the fact that contingent interest payments out of 1944 earnings will be due soon so that there will be almost automatically an up-to-date list of the present holders. Normally in seeking assents to such a plan, or deposits in favor of a receivership reorganization, the main difficulty lies in trying to determine where the bonds are held. Under the circumstances it seems likely that once the plan is approved by the Commission it will move along fairly rapidly.

Most rail men consider that despite their recent recovery the Refunding and General 5s and 6s are still outstandingly attractive in the rail bond list. Under the terms of the plan the interest on these bonds is to be 40% fixed and 60% contingent. There have accrued from 1944 earnings the contingent interest under the old Chandler Act readjustment—4% on the 5s and 4.8% on the 6s. At recent prices, therefore, the 5s represent a net cost of only around 70.

In effect, on consummation of the new plan, holders of the Refunding & General 5s may consider that they have two bonds—one $500 piece with 4% fixed interest and one $500 piece with 6% senior contingent interest. The new fixed charges would have been covered in full in every year of the depression decade and this portion may be considered eminently sound. The senior contingent interest, which comprises the balance of interest on the Refunding & General Mortgage bonds, appears at least as well protected as the great majority of new Income bonds of roads emerging from judicial reorganization. Moreover, it is proposed that this interest be fully cumulative while most of the new Income bonds are cumulative up to a maximum of only three years.

At a minimum it is believed that the fixed portion of interest should be evaluated at 90% of par under present market conditions. Thus this part of the bond would be worth 45. The contingent portion of the interest should logically be worth a 6%, or lower, income return basis. On a 6% basis the contingent portion of the Baltimore & Ohio Refunding & General Mortgage 5s would be worth 50. Thus, statistically, many rail men are of the opinion that the combined bond could sell up into the middle 90s, ex the 4 points interest earned in 1944, once the plan is consummated and a certain amount of seasoning has taken place.

In comparison with the Refunding & General Mortgage bonds the unsecured 4½s, 1960, selling about 12 points lower, seem rather liberally priced. The entire interest on this issue is to be contingent. Moreover, it is to rank junior to the unsecured interest on the mortgage bonds. Allowing a value of 45 for the fixed portion of interest on the mortgage bonds, the contingent portion affords a current return of 12%, based on recent market levels. Ex the 4½% interest for 1944, the unsecured 4½s are selling at a net price of 57½, which affords a current return of 7.82%. This lower return from an obligation whose interest is to be entirely a junior charge hardly seems logical.

The speculative flurry in the preferred and common stocks can only be justified on the basis that they are low in price or that the purchaser is looking forward many years into the future. With the sinking funds set up in the plan, the equity of the stocks is effectively confined to a maximum of 25% of net income until charges have been reduced by another $6,766,000.

B. G. Cantor Opening Own Office in N. Y.

B. Gerald Cantor has formed B. G. Cantor Co. with offices at 61 Broadway, New York City, to engage in the securities business. Mr. Cantor in the past was manager of the real estate bond department for Birnbaum & Co., was with Alexander Eisemann & Co., and conducted his own firm in New York.

First Colony Corp. Elects Krupnick V.-P.

Was First of New York Corp

The First Colony Corporation, 70 Pine Street, New York City, announces that Ira Krupnick has been elected Vice-President.

The firm has changed its corporate name to the First Colony Corporation from First of New York Corporation.

Public Utility Securities

Utility Stocks Improve Market Position

While earnings of most utility operating companies continue to fluctuate within a relatively narrow range, the renewed interest in "peace" stocks has resulted in a further advance in many operating company stocks in the past few weeks. Also, some of the State Commissions (Arkansas, Pennsylvania, Montana and New York) have protested in recent months against certain phases of the FPC program, and are reasserting the rights of the States to regulate intrastate companies. While the hopes for tax relief after the war may be affected by the Administration's proposal to maintain 60,000,000 jobs, nevertheless some lightening of the utilities' tax burden appears likely, since the industry is one of the most heavily taxed. Also, there is a move on foot currently to tax publicly-owned utlities, so as to eliminate this big advantage which they enjoy over the private companies. Possibly for these reasons the utility stocks, both operating and holding company, continue to maintain their market popularity and to enjoy a good share of the general market gains.

The accompanying table appraises the current position of the electric power and light stocks, dividing them into three groups—Stock Exchange, Curb and Over-Counter (alphabetically in each group).

The number of operating company stocks has almost doubled in the past decade due to the gradual breaking up of the holding companies. Some issues have been distributed to stockholders and others sold as public offering. Eventually the list of companies may double again as a result of further liquidation of holding companies. Among the stocks which it is thought may become available to the public in 1945 are Birmingham Electric, Carolina Power & Light, Atlanta Gas Light, Mobile Gas Service, Cincinnati Gas & Electric, Dayton Power & Light, Dallas Power & Light, Laclede Gas, Lake Superior District Power, Marion Reserve Power, Missouri Power & Light, Northern Indiana Public Service, Oklahoma Gas & Electric, Wisconsin Public Service and others.

ELECTRIC-GAS OPERATING COMPANY STOCKS

New York Stock Exchange—	Price About	Div. Rate	Yield About	Share Earn.	Price—Earn. Ratio
Commonwealth Edison	29	$1.40	4.8%	$1.79	16
Consolidated Edison of N. Y.	27	1.60	5.9	1.84	15
Detroit Edison	23	1.20	5.2	1.33	17
Houston Lighting	72	3.60	5.0	5.00	14
Idaho Power	33	1.60	4.9	2.57	13
Indianapolis Power & Light	23	1.20	5.2	1.98	12
Pacific Gas & Electric	36	2.00	6.7	2.33	15
Philadelphia Electric	24	1.20	5.0	1.43	15
Southern Calif. Edison	28	1.50	5.4	1.51	19
New York Curb Exchange					
California Electric Power	8	.40	5.0	1.21	7
Central Hudson G. & E.	9	.48	5.3	.62	15
Cleveland Elec. Illum.	40	2.00	5.0	2.04	20
Consolidated Gas (Baltimore)	70	3.60	5.2	4.64	15
Duke Power	89	4.00	4.5	5.09	18
Hartford Electric Light	54	2.75	5.1	2.50	22
Missouri Public Service	16	.50	3.1	1.52	10
Montana Dakota Utilities	11	.50	4.6	.87	13
Mountain States Power	25	1.50	6.0	2.77	9
Pennsylvania Water & Power	63	4.00	6.4	4.67	14
Puget Sound Power & Light	16	1.20	7.5	2.08	8
Tampa Electric	29	1.60	5.5	2.08	14
Boston Exchange					
Boston Edison	37	2.00	5.4	2.13	17
Over-Counter					
Arkansas-Missouri Power	11	.60	5.5	1.49	7
Black Hills Power & Light	20	1.17	5.9	2.02	10
Central Illinois E. & G.	22	1.30	5.9	2.13	10
Central Vermont P. S.	19	1.08	5.7	1.54	12
Community Public Service	30	1.70	5.7	3.11	10
Connecticut Light & Power	52	2.40	4.6	2.70	19
Connecticut Power	44	2.25	5.1	2.29	19
Delaware Power & Light	20	1.00	6.1	1.10	18
Derby Gas & Electric	23	1.40	6.1	2.36	10
Empire District Electric	17	1.12	6.6	1.56	11
Fitchburg G. & E.	45	2.50	5.6	2.53	18
Lynn Gas & Electric	89	5.00	5.6	4.58	19
Michigan Public Service	17	1.00	5.9	1.66	11
Missouri Utilities	15	1.00	6.7	1.35	11
New Orleans Public Service	30	1.40	4.7	1.63	19
Newport Electric	25	1.60	6.4	1.95	13
Public Service of Ind.	24	1.00	4.2	1.94	12
Rockland Light & Power	9	.50	5.6	.60	15
San Diego Gas & Electric	14	.80	5.7	.91	15
Sierra Pacific Power	23	1.40	6.1	1.54	15
Sioux City Gas & Electric	28	1.60	5.7	2.44	12
Southwestern Public Service	20	1.00	5.0	2.55	8
United Illum.	45	2.00	4.5	2.09	22
West Penn Power	21	1.10	5.3	1.20	18
Western Mass Cos.	28	1.60	5.7	1.84	15
Wisconsin Electric Power	13	.58	4.5	1.14	11

Real Estate Securities

During the latter part of 1943 we suggested in this column that the bond prices of the New York financial section office buildings had not kept pace with hotel bonds and there should be some room for appreciation in the office building bonds.

Our prediction has been more than justified. A list of the buildings follow in order of their rise in prices (from Feb. 15, 1944 to Feb. 14, 1945):

	Point Rise.
Trinity Building	+52
Equitable Office Building	+42
40 Wall	+34
Harriman Building	+26
Wall & Beaver	+24
61 Broadway	+23

The rise in price, we believe, was predicated upon improved renting conditions, aiding the earnings of the properties and also the realization that the value placed upon the properties by the market value of the securities was far below the reproduction cost of the properties.

We are of the opinion that there is still the possibility of improvement in the future for some particular office buildings and we base our conclusion on the fact that because of the demand for space in this section rate of rentals will increase.

How much they will increase only the future can tell. As a basis, it is interesting to compare the square foot rentals of 61 Broadway. In 1930 they were receiving an average of $4.46 per square foot and in 1942 only half that rate or an average of $2.23 per square foot.

Our calculation of large rent increase is predicated on an absence of any rent laws that will restrict rentals. The recent commercial rent laws in New York excluded office buildings, but there is no guarantee that new laws may not be promulgated. However, if the present commercial building rent law is broadened to include office buildings, it still will not be too bad, because the commercial building rent law permits rental increases of 15% over 1943.

Future purchase of downtown office building bonds, we believe, should be governed by a complete analysis of the properties securing the bonds to determine the value of the security for the bonds.

In this respect, 61 Broadway appears quite favorable. The first mortgage bonds of this property were cut in half in reorganization recently completed, reducing the bond issue to $3,961,000. Each bond carries with it stock representing an equal share in approximately 97% of the ownership of the property. Because of the apparent conservativeness of this bond issue, there seems to be a good possibility of this stock eventually having a real value.

This $3,961,000 bond issue is currently selling at 88%, placing a market value of only $3,485,681 for the property.

Indicative of the value of this property are the following comparisons with this $3,485,681 value:

(1) City of New York 1944-45 assessment—$8,000,000.

(2) Value set by Court appraisers during reorganization proceedings the early part of 1944—$5,000,000.

(3) Original bond issues placed in 1925—first mortgage $9,500,000; second mortgage $3,000,000; total $12,500,000.

(4) Appraisal of the value of the property in 1925—$16,079,736.

(5) Sale of the property in 1925 to August Hecksher at $14,000,000 with $2,500,000 in cash.

In a communication to bondholders recently, the 61 Broadway Corporation advised "that their management agents have estimated the gross receipts for the building for the fiscal year ending Aug. 31, 1945, at $989,000 and net income, before depreciation and interest on the bonds at $319,280." This is equivalent to 6% on the bonds and in addition would leave about $80,000 for sinking fund operation. These figures are based on real estate taxes on an assessed valuation of $8,000,000. As a result of Court proceedings last year the assessment was fixed at $6,750,000. If Certiorari proceedings, which have been instituted to again reduce the assessment, are as successful as last year, there will be additional income of $41,000.

The figures also do not include any rental from the ground floor store, which is vacant and was formerly rented to the North German Lloyd Line. Pre-war they occupied the store and second floor at a rental of $110,000 per annum on a lease until 1950.

The bonds are secured by a first mortgage on land owned in fee at the northwesterly corner of Broadway and Exchange Alley, one block south of Wall Street, New York City, together with the 33-story office building standing thereon. The plot fronts 105.1 feet on Broadway, 202.2 feet on Exchange Alley and 110.9 feet on Trinity Place, comprising an area of about 22,180 square fee. The building contains a net area of about 451,000 square feet. It is serviced by 24 high-speed elevators and also contains an independent electric plant. It has its own entrance through the basement to the Wall Street Station on the East Side Subway.

Business Man's Bookshelf

Money and the Law — Law School, New York University, 100 Washington Square, New York 3, N. Y.—$2.50.

Pitfalls for Peace—The Most Rev. Aloysius J. Muench, Bishop of Fargo—paper.

Railroad Facts, 1944 Edition—Western Railways Public Relations Office, 105 West Adams St., Chicago 3, Ill.—paper.

Stabilizing the Construction Industry — Miles L. Colean — National Planning Association, 800 21st St., N. Y., Washington 6, D. C.

United States Government Securities and the Money Market, Review of 1944 and Outlook for 1945 — Bankers Trust Company, 16 Wall Street, New York 15 —paper.

Harold Meadows Dead

Harold G. Meadows, partner in Draper, Sears & Co., members of the New York and Boston Stock Exchanges, Boston, Mass., died on Feb. 1. His interest in the firm ceased on the same date.

Mental Attitudes in Finance

(Continued from page 715)

"Drive slowly and avoid responsibility."

I have discussed with many parents the advantages of a government job for their children, knowing full well that if everyone had a government job there would be socialism—and we don't want that. I knew also that if that boy or girl were out in the hurly-burly of business life, taking chances in the hard competitive struggle, it would be better for the individual and better for the country. Was it Rochefoucauld who stated people have one set of rules at wholesale and another at retail—which is to say they want other people to be good with certain exceptions for themselves. There is something of that in all of us. We would like a secure place for ourselves with someone else furnishing the dynamic life that has made this country great and makes jobs possible.

Where does a boy or girl in Baltimore look for a job? Where will the returning soldiers look? They will go to a store, a factory, a utility, a farm or some business enterprise. What is a business enterprise? It is an organization in which men put their savings to build a plant to produce goods or distribute them or provide services for people. Cannot the government provide such jobs? Yes, by going into business, but we don't want that.

People want private business. While some of us down in Washington like government jobs and the security that goes with them, most people in Baltimore and throughout the country want private jobs. The postwar need for jobs is placed at 55 to 60 million.

In this country, there are 184,000 factories—about ⅔ of which employ less than 500 people. There are over 1,500,000 storekeepers, 6,000,000 farms, hundreds of thousands of mines, hotels, filling stations, business of all kinds. There is a lot of business in this country. And it is here that people will look for their jobs.

What is the thing that makes private business dynamic? What makes the wheels go round? It's the savings of the people reinvested in private business. That process was greatly checked after 1929. What makes business dynamic now? It's government war investment, but that will cease soon, we hope.

Venture Capital for Jobs

For the postwar period, venture capital for jobs has become a slogan. Both candidates in the recent election stressed the importance of private business financed with private capital raised through normal investment channels.

We have spoken of jobs. I want now to speak of that much discussed term but rare commodity known as venture capital. It is the most powerful and explosive force in the business world. It is the answer for jobs and for a dynamic economy. And yet people are talking more about venture capital today and doing less about it than at almost any time in our history.

We all know what liquid capital is. It's money in the bank or under the mattress. When we add the word "venture" it becomes something else. Mental attitudes are involved.

Do we have the money? We have oceans of it. In 1929 bank deposits totalled 55 billions. Now they are 138 billions. Cash—there is about 24 billions in currency outside the banks. There are 936,000 one thousand dollar bills in people's billfolds, cash drawers and mattresses. There are 4 billion dollars in $100 bills floating around. Think of it—the amount of money outside of banks now is about equal to the war debt after World War I.

Is our private capital liquid today? There is nothing more liquid and nothing more stagnant than a $1,000 bill in a mattress.

In 1929 banks had 80% of their funds working in private business. Now they have 80% in cash or loaned to the government.

After 1929 everyone got hot at the banker. They raised cain with the government. The fact is that everyone—investor, banker, government planner and John Q. Citizen, ought to examine his mental attitude about business and investments.

What are we going to do with our money when the guns cease and War Bond drives are over? Today when people buy war bonds they think in terms of bullets and tanks. However, it's these bond purchases that make the present 60 million jobs possible. In the postwar period what will be the investor's mental attitude?

In the summer of 1929 Andrew Mellon called the turn in investments. Speaking on behalf of an administration worried about a runaway market, he stated: "This market will end when 'Gentlemen prefer bonds.'"

Maybe we should all have gone to a psychiatrist and had our heads examined rather than consulted economists.

Present Mental Attitude—Stagnation

What is our present mental attitude? Right now we are pursuing security and getting capital stagnation. What should our attitude be? Maybe we should quit using the over-worked phrase of venture capital. There is a war term—"calculated risk"—which may be more expressive. It is certainly more realistic. In the retaking of France, military strategists spoke of calculated risks taken. We won on the Normandy peninsula. We got a temporary set back in the Belgian bulge. On balance, we gained by taking "calculated risks." Widows and orphans can take one kind of risk. A man with earning power can take another type of risk. But if we are going to retake France, if we are going to provide jobs—there must be some risk taking—and the risk taking should be calculated.

Business men and bankers are observing the great volume of capital available and are afraid of the chill of stagnation, the feverish glow of inflation or the wild passion for gambling and easy money. We want none of these things.

We do want to find out what has stopped the flow of savings into investments since 1929. The gap between savings and investment is now about 35 billions a year and getting larger. We must examine our whole economic system. We must search out every part of it, locate every law, every business practice, every device of whatever kind, yes every mental quirk that is standing in the way of savers putting their savings into private, productive investments—because this means private jobs.

One mental quirk is not hard to find. There has laid hold of the ordinarily hardy American soul a strange preoccupation—the pursuit of security.

Security vs. Risk

Security is, of course, a sound goal. But often the highest security is attained through efforts which involve risk. The man who quits a job and puts his time, brains and savings into a small new business, risks job, time and savings. The man who dares to get married—to go out West—takes a chance. These mental attitudes form the basis upon which the great structure of American achievement rests.

And yet today how far we have all gone down the road of riskless economy. Security! Security! Security! Making life easier! Safety from the struggles of rivalry. Some timid souls want cartels, trade agreements, restraints upon new and old energies, in the mistaken pursuit of security.

Take the investor. It is his mental attitude which controls the flow of private capital into business. He wants super-duper safety. Since the creation of the S.E.C., that umpire which rides herd on my group, in the ten years of its existence about 95% of the securities known to have been sold are bonds and sheltered preferreds. Venture capital has slown down to a walk.

The net result of all of this is that in the mad chase after security, we have been endangering the security of all. We have frozen savings in riskless securities and riskless pools of cash.

The answer? We are a practical people. Things go on one way just so long. The danger with us, of course, is that we are inclined to extremes in our mental attitudes towards finance and other things. In 1929 you couldn't give securities away. People lost sight completely of thrift and calculated risks. They shot the works. Now we are at the other end of the gamut. Meantime the explosive power of uninvested money is building up.

It is not sufficient to say—"take a chance." Uncontrolled risk taking leads to gambling and disaster.

Rules of Mental Attitude

What are the rules for the right mental attitudes towards finance?

(1) People must get their money to work. They must take calculated risks, being aware there may be gains in Normandy and losses in Belgium. Out of every thousand dollars in savings, so much should be ear-marked for risk taking. Investments should be examined in the same way a person studies the purchase of a house or farm—not as something to be sold, but something to be held. People in England with longer experience than ours in financial matters think of capital in terms of annual income. Quotations in the paper don't mean much.

(2) Investment Bankers must take care not to repeat mistakes of the 'twenties.

(3) The 15,000 banks in this country should hold themselves out to give more freely and constructively of their advice on how to put money to work. People consult their banker.

(4) We must rip out of our systems at once the numerous things we have been doing and thinking that hobble and shackle business.

(5) The Securities and Exchange Commission, the Social Security Board and similar bureaus should be supported, but they should change their approach to their functions.

(6) The government must realize that in taxing business to redistribute income, they can go so far they will drive venture capital into the foxholes and there will be no income to distribute. Much money is already in the foxholes of the black market, where a lot of thoupsand dollar bills are floating around.

(7) Unconventional as it may seem, banks, insurance companies and other institutions with large resources must ask themselves if their security is real or fancied. Must they not take some of the calculated risks of the Normandy peninsula and the Belgian bulge?

In closing, may I say that if our 85 million war bond investors will back private business as they are now backing war business, our 55 to 60 million peacetime jobs may be possible. This goal can be reached "if" and it is a big "if"—private investment is allowed to return to the historic role of providing jobs. The answer is up to the 85 million war bond investors.

C. S. Jameson Now With Boston Commonwealth

(Special to The Financial Chronicle)

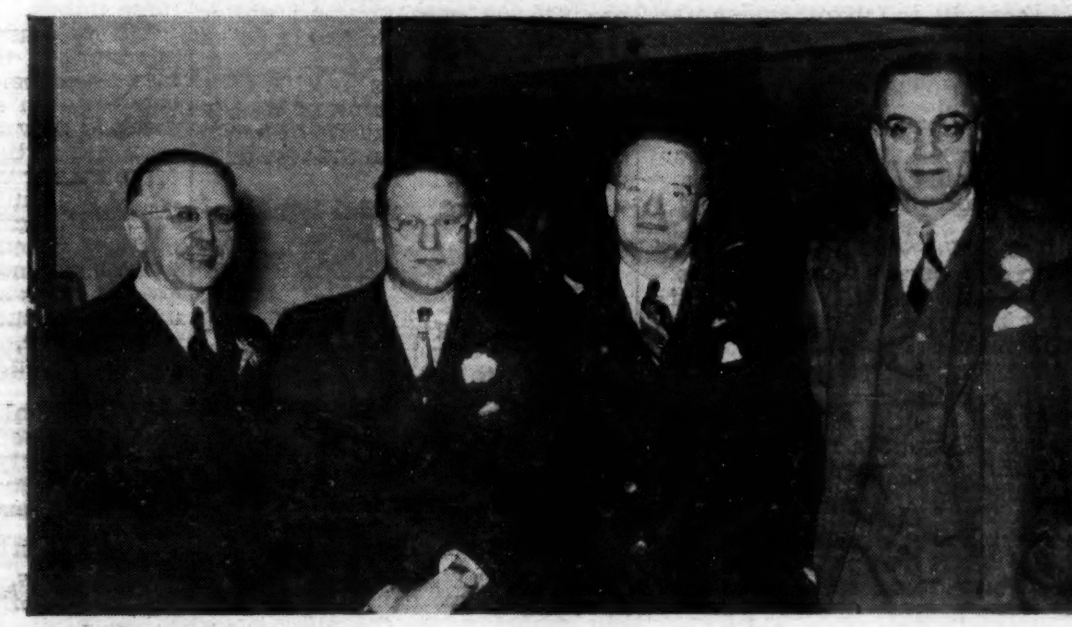
BEVERLY HILLS, CALIF.—Claude S. Jameson has become associated with Boston Commonwealth Corp., 9631 Wilshire Boulevard. Mr. Jameson was previously with the trading department of G. Brashears & Co. In the past he was with Fairman & Co. and Thomas E. Adams & Co.

Investment Traders Association of Philadelphia

Gentry Daggy, *H. M. Byllesby & Co.*, Philadelphia—S. K. Phillips, *Samuel K. Phillips & Co.*—William Lilley Jr., *Lilley & Co.*

Irv. Maxfield, *Cohu & Torrey*, New York City—Harry Sheely, *Harry M. Sheely & Co.*, Baltimore—Joe Guiton, *Craigmyle, Pinney & Co.*, New York City.

Harry J. Peiser, *Ira Haupt & Co.*, New York City — Hal Murphy, *Financial Chronicle*—Charles A. Taggart, *Charles A. Taggart & Co.*—Leonard B. Geis, *Newburger & Hano.*



Willis Summers, *Troster, Currie & Summers*, New York City—John K. Ruckdeschel, *Stroud & Co., Inc.*—John French, *A. C. Allyn & Co., Inc.*, New York City—Thomas F. O'Rourke, *Stroud & Co., Inc.*

Will Hold Hearings on Floor Trading

The Securities and Exchange Commission announced on Feb. 8 that at the request of the New York Stock Exchange, it would hold a public conference on the rule recently recommended by its Trading and Exchange Division to abolish floor trading in stocks on the New York Stock Exchange and the New York Curb Exchange. The conference is scheduled for 10:30 A.M., April 9, 1945, at the Commission's headquarters in Philadelphia, and has been set for that time at the request of the New York Stock Exchange in order to give it adequate opportunity to prepare its comments and proposals.

The Commission also stated that other interested persons or groups who wish to participate in the discussion should notify the Secretary of the Commission not later than March 27, 1945.

Broker-Dealer Personnel Items

If you contemplate making additions to your personnel please send in particulars to the Editor of The Financial Chronicle for publication in this column.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Raymond R. Auclair** and **Ernest F. Greer** have joined the staff of **Trusteed Funds, Inc.**, 33 State Street.

(Special to The Financial Chronicle)

CLEVELAND, OHIO—**Harold E. Ostrander** is with **Otis & Co.**, Terminal Tower.

(Special to The Financial Chronicle)

FRESNO, CALIF.—**C. I. Coook** has become connected with **Chance-Hall & Co.**, 1111 Fulton Street.

(Special to The Financial Chronicle)

JACKSONVILLE, FLA.—**Sam. C. Mitchell** is with **Southeastern Securities Corp.**, 308 West Adams Street.

(Special to The Financial Chronicle)

LONG BEACH, CALIF.—**Rex May** has become associated with **Halbert, Hargrove & Co.**, First National Bank Building. Mr. May was previously with Bankamerica Company and Merrill Lynch, Pierce, Fenner & Beane.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Geo. H. Taylor** has become affiliated with **Carter H. Corbrey & Co.**, 650 South Spring Street. Mr. Taylor was formerly with Conrad Bruce & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Arnold A. North** has become associated with **Dean Witter & Co.**, 634 South Spring Street. Mr. North formerly represented National Securities and Research Corp. in San Francisco.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—**Bradley Young** is with **H. R. Baker & Co.**, Bank of America Building.

(Special to The Financial Chronicle)

PALO ALTO, CALIF.—**Charles H. Nordyke** is now connected with **J. Earle May**, 156 University Avenue. Mr. Nordyke in the past was with Wulff, Hansen & Co. and Bankamerica Co.

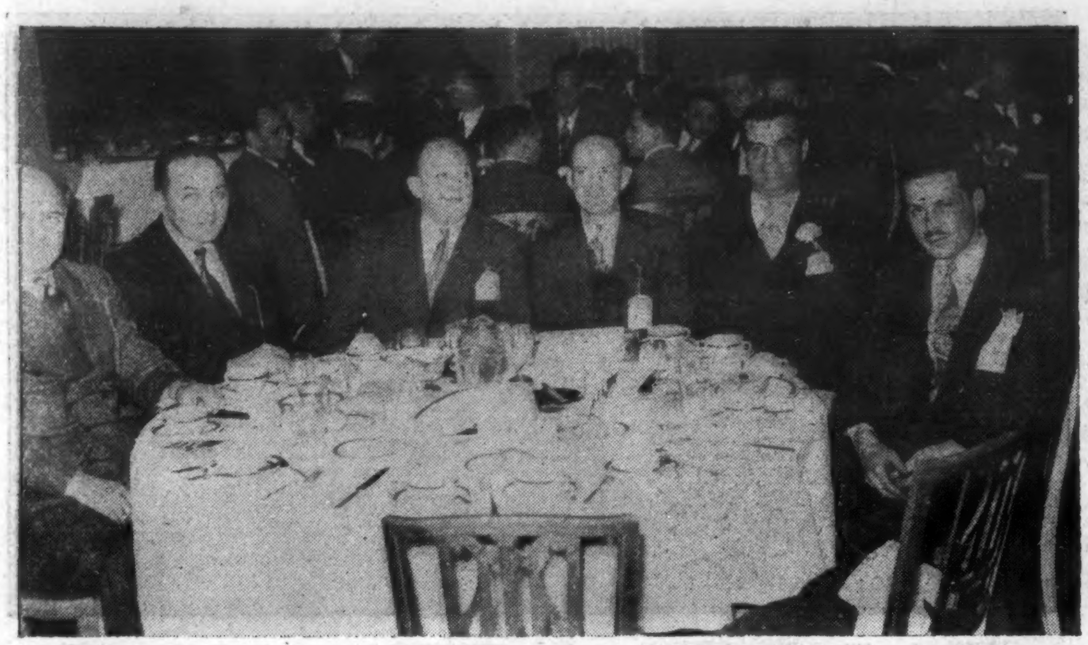
(Special to The Financial Chronicle)

PORTLAND, ORE.—**Roy C. Barnes** has been added to the staff of **Merrill Lynch, Pierce, Fenner & Beane**, Wilcox Building.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—**Robert K. Carpenter** is with **Hannaford & Talbot**, 519 California Street.

Twenty-First Annual Mid-Winter Dinner



Amos Treat, *Hughes & Treat*—Ralph Dimpel, *Edward A. Purcell & Co.*—Otto A. Berwald, *Berwald & Co.*—Charles Kaiser, *Berwald & Co.*— John Larer, *Edward A. Purcell & Co.*—Nat Abell, *Ernst & Co.*, all of New York City.

Wallace Fulton, *National Association of Securities Dealers*—Ed Parsons, President, NSTA, *Wm. J. Mericka & Co.*, Cleveland—Russ Dotts, President ITA of Philadelphia, *Bioren & Co.*

Walter Saunders, *Dominion Securities Corp.*, New York City—Henry Arnold, *Claire S. Hall & Co.*, Cincinnati—John Hudson, *Thayer, Baker & Co., Inc.*—Wallace Fulton, *NASD.*

Chick Guerney, *Herbert H. Blizzard & Co.*—Foster Webster, *Hardy & Co.*, New York City—Charles L. Wallingford, *E. H. Rollins & Sons*, Philadelphia—Duke Hunter, *Hunter & Co.*, New York City.

Maturing Baby Bonds: Advice to Holders

The Treasury Department issued a reminder on Feb. 11 to those holding so-called "baby" bonds—Series A bonds, sold in 1935 advising them that the series will begin to mature March 1, and indicated the procedure for their repayment or re-investment. Regarding the maturing savings bonds, Associated Press advices Feb. 11 from Washington said:

"Each 'A' bond matures ten years after its date of issue. For example, bonds bought any time during March, 1935, will pay off on March 1, 1945. Bonds bought in June, 1935, will mature June 1, 1945, and so on.

"Series 'A,' in denominations of $25 to $1,000, was an early forerunner of the Series 'E' war bond and was sold only from March 1, 1935, until Jan. 1, 1936, when Series 'B' savings bonds went on sale.

"In all, $250,000,000 of 'A' bonds were issued — including interest accruing to date. Bondholders have already cashed some of them for $69,000,000, preferring not to wait for the larger interest payments at maturity. That leaves $181,000,000 of 'A' bonds still outstanding, when figured at present cash value."

The Treasury Department's announcement of Feb. 11 stated:

"Secretary of the Treasury Morgenthau today reminded bond buyers that Series A Savings bonds—those sold in 1935, when they were known popularly as 'baby' bonds—will begin maturing on March 1. The Secretary said that as the bonds mature, the Treasury will pay them off in cash at the rate of $4 for every $3 originally invested. However, if individuals desire they may reinvest any part of the proceeds of their Series A bonds, up to such denominational amount as the proceeds will fully cover, in Series E War Bonds.

"Individuals who are the registered owners or coowners of maturing Series A bonds may present them for payment to any incorporated bank or trust company that has qualified as a paying agent. This includes practically all banks and trust companies throughout the country. Payment will be immediate, provided the owners or coowners have satisfactory identification.

"Individuals also may make their reinvestment in Series E bonds at practically all banks and trust companies, through the established payment and issue procedure. This must be accomplished concurrently with surrender of the Series A bonds, and only during the month in which the latter mature.

"Series E bonds so purchased with the proceeds of maturing Series A bonds will be exempt from the limitation on holdings prescribed for Series E bonds on original issue.

"Holders of Series A bonds other than individuals are not eligible to buy Series E bonds, and will not be permitted to reinvest the proceeds of their A bonds in E bonds."

Cigarets at Stroud Pre-Dinner Party

PHILADELPHIA, PA.—Stroud & Company, Incorporated, 123 South Broad Street, again held their annual cocktail party preceding the winter dinner of the Investment Traders Association of Philadelphia. This year, in addition to cocktails, there were cigarets—really!

Pronounced a Most Successful Affair

Gordon C. Poole, *SEC*—Wm. Prescott Watts, *Stroud & Co., Inc.*—W. S. Ramsey, *SEC*—A. H. Lund, *SEC*.

Al Tryder, *W. H. Newbold's Son & Co.*—Bill McCullen, *F. J. Morrissey & Co.*

"Steel Tomorrow"

(Continued from first page)

It has never been an easy task to predict the future of steel even on a short-term basis. Today the problem is complicated because there are no authoritative answers to many questions which intimately concern the future not only of steel but of virtually all industries.

As conditions now stand the steel industry can influence its own future only to a limited degree. Certainly, as the record shows, its members exert little influence on such a vital matter as Government tax policy, and their freedom of action in the field of wages and prices is circumscribed to say the least.

You know as much as I do, in fact, probably much more, about the prospects for those industries which have been main props under the peace-time demand for steel.

If I am not mistaken, it is part of your business to appraise the conditions which affect activities of railroads, construction, mining and other major branches of industry, all of which help to create the domestic markets for steel products.

As for exports, tell me what will be the substance of certain vital aspects of our national policy, and I shall be glad to speculate with you about its likely effects on the prospects for American steel in foreign markets.

It is not the steel maker but the consumer who, in the last analysis, determines the volume and the character of steel production. Influencing the consumer's decision are such things as personal preferences, weather and the current state of his mind and pocketbook. Over none of those can the head of a steel company exert much, if any, influence.

One thing, however, which the steel industry can do to influence favorably the use of its products is to offer steels of ever higher quality and of broadened usefulness. And steel companies were doing that before the war. During the war, of course, research into the manufacture and treatment of steel has been for the purpose of improving the quality and performance of war materials. An important part of that research, however, seems destined to find its way into peacetime applications for steel.

New Uses for Steel

Recently I asked three or four technical men to speculate on the possible, as well as probable, new uses for steel which might develop after World War II. I asked them to disregard for once the engineer's ingrained reluctance to go beyond established facts and conditions and to give their imaginations full play as to what new uses might be found in the postwar world for the products the steel industry will be prepared to produce. I am not going into all the lines of their speculations, because some of them lie too close to the nebulous realm of pure theory. But some of their answers to my question may be of help to you in evaluating future prospects for steel as a metal. I frankly admit my own surprise at some of their speculations, and I give you a sample or two for what they are—intelligent, informed guesses based in varying degree upon metallurgical facts.

Probably the most spectacular new product which these men consider possible is stainless steel hosiery. They point out that already some steel companies are producing stainless steel wire in diameter comparable to that of the threads used in silk or nylon hosiery. You already have heard of suits made from milk and ties from glass fiber. Why not, they say, hosiery from steel? If that particular speculation should ever become a reality, you may wonder whether the ladies will become as expert at repairs with the welding torch as they are with thread and needle.

Less fantastic but more significant are the developments which actually are under way in the field of steels that resist high temperatures and high pressures. For years there has been a free and strong rivalry between metallurgists and designing engineers in the race towards best utilization of metals, particularly steel. There have been times when the metallurgists led in that race—when they produced steels which could do more than designing engineers were then in a position to utilize. Recently, the engineers were on top in so far as developing designs—particularly for aircraft engines — which call for steels to resist higher temperatures and pressures than have ever before been needed in such applications. It was up to the metallurgists to provide such steels—and they are providing them.

Because these steels are better able to resist heat and pressure than any steels heretofore produced, they provide opportunities to cut down the weight of the parts for which they are specified. That weight-saving feature results in improved performance of important items of military equipment. Looking ahead a few years, the commercial use of steel parts at hitherto unattainable pressures and temperatures should permit further improvements of engines and constructional materials for automobiles, trains, aircraft and ships.

Plastics and Steel

Much has recently been said or written concerning the competition which steel will face from plastics in the post-war world. On the other hand, little has been written on the role which plastics may play in expanding the use of steel—yet that is a development which is already under way. For four years, plastics that resist heat and corrosion have been successfully and economically used as a coating and lining for steel pipe and tubes. These steel and plastic combinations are already rendering excellent service as boiler tubes and in vital parts of machinery for the manufacture of pulp and paper, essential oils, rayon and a number of other products.

As plastics are improved and more useful types are developed, they will, of course, find wider applications. No doubt, some of them will replace steel products for certain types of service. It has been predicted, however, that plastics will help to sell more steel products than they will replace.

It is estimated that the wartime quadrupling of capacity of the plastic industry has brought this country's total plastic capacity up to about one per cent of the capacity of the steel industry. Yet if only ten per cent of the steel pipe produced today were lined with the appropriate types of plastic for the various service conditions encountered, certain phases of the plastic industry would again have to expand capacity several-fold.

Steel in Residential Construction

Any one attempting to appraise the steel markets of tomorrow must take into account the future role of steel as a material for residential construction. While published estimates of a million new homes a year for ten years may be beyond the bounds of actual performance, there is no question that there will be a large volume of new construction after the war. Therefore, whether the amount of steel going into each housing unit is two tons—as was about the average before the war—or whether it will increase to three or four tons is a question of considerable importance both to steel producers and to observers of the steel industry.

No matter-of-fact steel man who is familiar with the subject expects to see an all-steel house. A far more likely development

will be a house using larger amounts of steel along with several other materials, each chosen because it is the best suited for a particular function. Even then one must not overlook the importance of personal taste and preference, particularly with regard to design and appearance of a house. People being the contrary creatures that they usually are, the fact that a house is properly designed from an engineering and economic point of view may bear little weight with a prospective buyer as against his preference for more conventional designs and constructions.

Today we accept as commonplace the use of structural members formed of light-gage sheet steel in the construction of our automobiles and in the construction of ships, airplane fuselages furniture and office equipment. On the other hand, until very recently the use of such cold-formed light steel members and panels in building construction was inconsistently regarded as somewhat of an experiment. Today fully one-third of the personnel of the United States Navy, and a sizable part of the Army, is housed in buildings constructed with light-gage structural steel members.

Light steel sheets or strip may be easily formed in a variety of shapes and panels to meet a wide range of service demands and an equally wide range of architectural applications. They can be as useful a building a Cape Cod cottage as in the so-called modernistic "house of tomorrow." These light-gage steel sections exhibit surprising strength and they serve the double purpose of providing the structural strength to support the load of the floor and wall and at the same time provide the surface of those floors and walls.

During the war there have been developed new adhesives and new methods of attaching collateral finishing materials to metal shapes and panels. New protective coatings and treatments have been devised to broaden their use for both structural and ornamental purposes. Furthermore, the light steel structural panels and constructions are ideal for use in radiant heating installations. They provide ready made duct-like spaces that can be utilized for wall, ceiling or floor panel heating systems.

The relatively light weight of these shapes and panels makes for easy fabrication, low transportation costs and quick and simple erection on the site. All those are factors that contribute to economy and utility and will be particularly important if labor costs prove to be higher in the future than they were in the past—as seems possible.

Miscellaneous New Uses

In other fields, too, some interesting new uses for steel are in the offing. Any one of them might some day prove to be an important outlet for products of the steel industry. It was only a few years ago that solar heating systems and wind power generators were to be found mainly in the pages of such publications as "Popular Science" and "Popular Mechanics." Such devices have now passed from fantasy to fact although, because of wartime restrictions, only a few installations have been made up to this time. Further developments along those lines may readily grow into an outlet for a considerable tonnage of steel just as was the case with air-conditioning equipment in the ten years or so before the war temporarily checked that activity.

It is considered very possible that some time in the postwar period colored steel will be developed and marketed. Research on the problem of coloring steel throughout its cross section rather than just on its surface is already underway in several quarters. And it has been reported that at least one producer has succeeded in making a stainless steel which is black throughout its cross section. If colorful, corrosion-resistant steel could be developed for manufacture into sheets, it might find a very large market, as in the automobile industry where the problem of painting and re-painting cars would be eliminated.

Another interesting speculation heads into the field of powder metallurgy—an art already rather well started in so far as non-ferrous metals are concerned. The problem is to develop a steel which will powder readily and weld under pressure. One specialty on the horizon in this field would be the production of powerful magnets made by compressing steel powders. By varying the density of the product, full advantage could be taken of the markedly superior magnetic properties of iron.

Another possibility is further development of what is known as the austempering process—a form of heat treatment now used to increase strength and toughness of certain steel products. At present this process can be applied only to articles not over ⅜ inch thick if they are made of plain carbon steels and not over ¾ inch thick if of alloy steels. If it were possible today to austemper heavier items, like the shaft of a destroyer, enough steel could be saved to permit the destroyer to mount another gun without increasing the weight of the ship.

Development of austempering for heavier sections than is possible today would find application in practically anything that moves, such as airplanes, turbines, reversing mechanisms on machine tools, where savings in weight without sacrifice of strength and toughness are primary considerations. Lighter and more compact structures and equipment, ranging from lathes to streamlined trains could be built.

Another path of steel research, to which I have already referred, is along the line of producing steels that will stand up under the high temperatures that characterize so many of today's manufacturing processes and operating mechanisms. Only a few decades ago the temperature of boiling water was about the highest heat to which most steel parts were exposed. The ceiling now is many times higher.

Progress is being made in the development of what might be called "refractory steels" to stand up under the high temperatures required in such applications as petroleum refining, jet propelled aircraft, internal combustion engines for automobiles and airplanes, and the production of certain chemicals. If as a result of that research, even higher operating temperatures can be achieved through the use of improved heat-resisting steels, the efficiency of the processes and products of many industries may be raised.

Steel Progress

Just where the current research in steel will lead is a question that cannot be answered with any degree of assurance. Very likely some of the most promising developments will fall short of commercial realization. That often happens in research. On the other hand, real progress may be made along some other line that by today's standards might look anything but promising.

We so quickly accustom ourselves to the miracles of industry that it is easy to forget how recently some of those miracles were made.

Only thirty-three years ago, not a very long time back, there was no cutlery steel that would not rust—none of the stainless steel surgical instruments that now are saving lives in our field and base hospitals.

There were no all-steel automobile bodies until about ten years ago when steel companies put on the market the sheet steel products that made all-steel bodies practicable.

Four years ago we didn't know how to produce the steel that now makes the tough, hard core of the armor-piercing shot our guns blast at enemy positions.

Steel has made great strides in recent years, both as an industry and as a material. The urgency of war has accelerated that progress.

At present, as for the past several years, the production of steel for war is the Number One task of the steel industry—a task which has been discharged faithfully and efficiently.

When the time comes for the steel industry to resume its peacetime function of providing the tools and the chief material for the further development of this country, steel will be ready.

Its capacity to produce is far greater than the maximum recorded demand under peacetime conditions. Present capacity of nearly ninety-five million tons of ingots per year is almost fifty per cent greater than actual production in 1929, which still stands as the biggest peacetime year for steel production.

Furthermore, the plants and properties of the industry are probably at a higher average level of efficiency and general up-to-dateness than they have ever been before. Since 1940 more than two billion dollars have been invested in expanding and modernizing steel plants, and more than that amount has been spent for repairs and maintenance.

On the technical side, many of the products which the industry expects to offer postwar consumers will represent improvements over those which were available before the war. Wartime conditions of demand and production bear little resemblance to peacetime commerce. Nevertheless, certain of the new processes and techniques which the industry has learned during the war will be carried over into the peace.

Any speculation of this sort would be incomplete without some direct reference to the lighter, metals, aluminum and magnesium, which have lately received so much popular notice.

With productive capacities increased several fold, to meet war demands, those light metals have been regarded in some quarters as likely to transform many metal working industries, even to the point of offering stiff competition for steel.

But steel men generally are not seriously concerned on that point. There is still a substantial price margin in favor of steel. The quantity of light metals available is still but a dribble alongside the huge tonnages of steel. And some of the special steels recently developed give greater strength with little added weight. Steel is still the cheapest, most abundant and most versatile of all metals. It will share fully in any degree of industrial activity or expansion which the future holds.

Missouri Brevities

Recent action of the National Candy Board in approving a three-for-one common stock split, subject to stockholders' ratification at a meeting to be held April 16, has resulted in increased trading interest at new high levels. Directors are reported to favor placing the present stock on a 75-cent per share quarterly basis at the March 5 meeting, compared with the recent rate of 50 cents. Joseph K. Nestor, head of the Obear-Nestor Glass Company has been elected to the Board.

Recent Underwriting Activities

Several Missouri dealers were members of the underwriting group, headed by **Lehman Brothers and Glore, Forgan & Co. of New York**, offering 199,847 shares Philip Morris & Co., Ltd., Incorporated, 4% Series Cumulative Preferred stock, $100 par. Included were **Reinholdt & Gardner, I. M. Simon & Co., Stifel, Nicolaus & Company, Incorporated, and G. H. Walker Co., all of St. Louis, and Stern Brothers & Co. of Kansas City.**

Dillon, Read & Co., of New York, headed an underwriting group offering $17,500,000 First Mortgage 3⅛s, 1974, and 50,000 shares 4¾% Preferred stock of Southwestern Public Service Company. St. Louis dealers included were **Edward D. Jones & Company, Newhard, Cook & Co., I. M. Simon & Co., Stix & Co. and G. H. Walker & Co.**

Kuhn, Loeb & Co., of New York, headed the underwriting group which offered $30,000,000 Armour and Company 4½% Cumulative Income Debentures (Subordinated) due 1975. Missouri dealers included **Newhard, Cook & Co., Reinholdt & Gardner, Stifel, Nicolaus & Company, Incorporated, Stix & Co., and G. H. Walker & Co. of St. Louis, and Stern Brothers & Co. of Kansas City.**

F. Burkart Manufacturing Report

Reflecting a continuation of the downtrend in earnings experienced since 1940, the 1944 report of F. Burkart Mfg. Company shows net profit of $352,693 (after reserve for post-war conversion) equal to $2.56 per share compared with $528,820 or $3.76 per share in the previous year and peak earnings of $1,058,585 equivalent to $7.47 per share in 1940. Balance sheet position as of November 30, 1944 was characteristically strong, current assets of $2,502,891 including $1,318,655 cash and U. S. Certificates of Indebtedness, comparing with total current and accrued liabilities of only $142,302. Company's peacetime activities included the manufacture of cotton and fibre batting and padding for the automobile and upholstery industries, saddle girths, excelsior for packing, etc.

Michigan Brevities

With gross revenues already reduced by a court order impounding $10,450,000 of electric revenues, pending review of a Michigan Public Service Commission rebate order, Detroit Edison Co., not only blasted the rebate order, but announced that it had made no provision for possible liability under City of Detroit and other municipal excise tax ordinances. One city ordinance, incidentally, proposing a 20% excise tax on gross revenues of the company, was held invalid recently by Circuit Court Judge Joseph A. Moynihan. Due to impounding of funds, earnings of the company for 1944 were cut from approximately $1.26 a share to $1.03. With reference to the situation, Prentis M. Brown, Chairman of Detroit Edison, and James W. Parker, President, stated as follows:

"Apparently the City of Detroit has championed the idea that no utility should pay Federal excess profits taxes, but instead should avoid such war taxes through rebates to customers, or by added local taxes. The principal contention is that, under present Federal tax laws, such action takes only 1/7th of the full amount from the utility and 6/7ths from the Federal government.

"In our case the Federal excess profits tax would have been relatively large because of the low pre-war base period earnings arbitrarily required to be used in calculating the tax. The company needs, and Congress clearly intended it should have, 1/7th of included earnings to meet legitimately incurred requirements presently and in the post-emergency period.

"The Treasury Department of the United States Government, on the other hand, evinces no great interest in the 6/7ths lost to it in war taxes, which must, of necessity, be raised from other sources. It has not opposed this threatened diversion of Federal tax revenue. The Office of Price Administration has, in fact, intervened actively in favor of such diversion, urging that the result is deflationary in its effect. We hold the contrary view — to channel the money, by way of taxes, into the United States Treasury is inflationary. If the management feels it must get court direction in such a novel and vital matter, there is country-wide interest in the outcome of the situation and rightly so."

* * *

Although rumors of the possibility of a Chrysler stock split bobs up again in brokerage circles, with the stock hovering near the 100 mark, informed sources indicate that such a move is unlikely at this time.

In deference to request of the War Committee on Conventions, the 1945 convention of the Michigan Bankers Association, which was to be held in June, has been cancelled, it is announced by Joseph M. Dodge, President of the group.

* * *

Rumors of a management fight in the Detroit and Canada Tunnel Company were set at rest when all the present officers were reelected. They are George Cook, President; Fred T. Murphy, Vice-President; Charles E. Lewis, Secretary; and Fred C. Reese, Treasurer and General Manager. Albert C. Lord, of New York, business man, was named to the board in place of William Bertles also of New York.

An increase in the common stock of 135,000 shares to 235,000 shares was authorized.

* * *

Detroit and Cleveland Navigation Company has revealed part of its post-war plans in the form of construction of a new luxury liner for use on the Great Lakes to replace the Greater Buffalo, which was taken over by the Navy and converted into a "training aircraft carrier."

Howard M. Warner, Chairman of the Michigan Corporation and

(Continued on page 732)

Robinson Mgr. in Lansing for Merrill

LANSING, MICH. — James H. Robinson, Jr. has been appointed manager of Merrill Lynch, Pierce, Fenner & Beane, 121 West Michigan Avenue. Mr. Robinson has been with the firm for some years.

S. R. Noble Becomes Detroit Exch. Member

DETROIT, MICH.—Sheldon R. Noble, partner in White, Noble & Company, was elected a member of the Detroit Stock Exchange, and his firm was registered by the local board, Clark C. Wickey, Executive Vice-President, announced.

White, Noble & Company maintains offices in the Michigan Trust Building, Grand Rapids, and in the Buhl Building, Detroit.

Connecticut Brevities

The 1944 year-end balance sheet of the Northeastern Insurance Company revealed that admitted assets had increased from $6,713,014 as of Dec. 31, 1943, to $6,933,742, while surplus advanced from $961,533 to $1,005,344. By using market values for the securities, $57,694 would have been added to admitted assets and surplus. Underwriting loss of $335,087 for the year was offset by net interest and rents of $175,018 and appreciation of securities of $215,812, showing a net gain of $55,743. Surplus was increased $43,812.

* * *

The Aetna (Fire) Insurance Company, completing one-hundred twenty-five years in business reported an all-time record volume of premiums of $32,356,263—up 13.7%. Total premium volume for the fire and casualty groups combined aggregated $54,568,877—up 12.3%.

Loss ratios, in line with other insurance companies, were higher, but the Aetna Fire Group reduced its expense ratio. Incurred loss ratio in this group was 51.15% compared to 49.06% in 1943 while expense ratio was 42.93% against 45.49%.

Liquidating value (exclusive of equity in wholly-owned subsidiaries) was $58.96 compared to $56.41 in 1943.

* * *

For the fiscal year ended November 30, 1944, Russell Manufacturing Company reported net income from operations of $279,150 after all charges, as compared to $724,253 the preceding fiscal year. On a per share basis, earnings were $3.46 against $8.97 in 1943.

Net income transferred to earned surplus was $263,950 after provision for postwar rehabilitation of $15,200. This latter amount is equal to the postwar refund of excess profits taxes. It is not expected that 1944's operations will require renegotiation. The company's total rehabilitation fund is $149,960, plus a contingency reserve of $125,000.

* * *

President C. S Kremer of the Hartford Fire Insurance Company recently announced that the Connecticut General Assembly has been asked to authorize the incorporation of the Hartford Life Insurance Company. The Hartford group presently writes fire, casualty, surety and allied lines. **While such authorization would enable preliminary steps in organization to be taken, the new affiliate is not expected to engage in underwriting life insurance immediately.**

* * *

For the eleventh successive year, Southern New England Telephone Company showed an increase in total telephone revenues over the preceding year. A gain of approximately a million dollars brought the 1944 aggregate revenue to a new high level of $30,435,963, while net profit available for dividends was approximately 22% under 1940's total, due to increased taxes and operating expenses. Earnings per share were $6.31 against $6.17 in 1943 and $8.10 in 1940.

Telephones in service in 1944 totalled 488,148—a gain of roughly 2,700 during the year.

* * *

The New York, New Haven & Hartford Railroad Company reported gross revenues of $182,394,331 for the year 1944. This represents a gain of $2,846,057, or 1.6% over the preceding year. Net income of $14,071,121, however, showed a decline of $8,830,316.

* * *

The 1944 annual report of the Connecticut General Life Insurance Company revealed that the company's admitted assets totalled $446,743,743, a gain of approximately $52,000,000 over the preceding year. Surplus and special reserves totaling $31,930,594, showed an increase of about $7 million. $2,673,000 was added to the contingency fund bringing the total to $12,326,000 while $2,312,229 added to surplus brought the total to $17,604,594.

* * *

Connecticut's four major light and power companies reached a new peak in generation and sales of electrical energy for the sixth consecutive year.

The combined output of Connecticut Light and Power Company, Hartford Electric Light, United Illuminating, and Connecticut Power in 1944 totalled 2,391,217,000 kilowatt hours.

Connecticut Light and Power produced more than 1 billion kilowatt hours of electricity—the greatest output ever dispensed by any Connecticut company in a year's time.

* * *

On February 15, the stockholders of The Atwood Machine Co. of Stonington will meet to vote on a proposal to sell the company to Farrel-Birmingham Co. of Derby. If approved, the Farrel-Birmingham Co. would take over The Atwood Machine Co. on April 1.

Franklin R. Hoadley, president of The Atwood Machine Co. has been elected successor to John W. Haddock who resigned as president of Farrel-Birmingham Co. last month.

With J. Vander Moere Co.

(Special to The Financial Chronicle)

GRAND RAPIDS, MICH.—John Cassee has been added to the staff of J. Vander Moere & Co., Peoples National Bank Building.

Tomorrow's Markets Walter Whyte Says—

Averages now hacking away at the old high. Inability to penetrate may force stocks into temporary reaction. But reaction should not carry stocks more than one point or so lower if general "up" picture is to be maintained.

By WALTER WHYTE

The biggest piece of news is the result of the Big Three talkfest from Yalta on the Black Sea. The market is keeping its fingers crossed waiting to see how the decisions will work out in practice. Meanwhile it is acting well one day and not so well the next. But the general undertone remains strong.

* * *

Looking at the market through the averages, there doesn't seem much to cheer about. Last Tuesday (Feb. 6), for example, the Dow industrials were at 155.62. During the day the high was 156; the low, 155.18. Thursday (Feb. 8) the high (also the high for the week) was 156.17 and the low, made Saturday, was 154.25.

* * *

In itself such action is meaningless, but when it is stacked alongside the old highs made during the week of Jan. 6, it begins to take on some significance. For on Jan. 11 the industrials managed to creep up to 155.85. Since then the averages have been puffing to try not only to get back to the old highs but to get through them. Whether or not they'll succeed remains to be seen. If it was only the industrials the average onlooker would have little to worry about. But the rails have a much harder row to hoe.

* * *

Since the rails made their high of 51.03 on Jan. 10 they have acted more and more as if they were finished. As this is being written the rail average is just under the 50 level. But the method, or rather the pattern, it presents is not conducive to optimism.

Here and there individual

(Continued on page 741)

The Future of the Railroads

By JOHN COLLINS

Pessimistic Views of the Railroad Outlook No Longer Warranted, Because of Improved Efficiency, Restored Credit, Absence of Reconversion Problems, Tax Benefits From Carry-Back Provisions, and the Administration's Accord With the Principle That Control Over Rates and Wages Demands Preservation of Railroad Earnings and Credit. Railroad Facilities Have Been Maintained and There Is No Longer the Question of Over Capitalization, and Despite Post-War Competition From Other Transportation, Railroad Traffic Will Continue to Grow and Cost of Operation on a Ton-Mile Basis Will Favor Them Over Others. Rail Equities Offer Excellent Value.

With excellent post-war traffic prospects, reduced fixed charges and improved capital structures, the railroads should be able to prosper in future years. Pessimism toward the carriers has been fully warranted in the past but there is great danger in overstaying this pessimistic viewpoint and misisng what may prove to be a very long cyclical upswing in railroad activity and prosperity.

For the benefit of our readers we have analyzed the present situation with particular emphasis on the position of the railroads during the "second front phase" of our military operations and on the probable outlook, which will come about with "Peace" in Europe. We are also discussing (1) The unique position of the railroads with regard to war contract termination. (2) Absence of reconversion problems. (3) The tax benefits which may apply from operation of the carryover and carryback provisions of the Revenue Act. (4) The larger reserves which result from recent introduction of depreciation charges for roadway and structures.

Railroad earnings have been exceptionally good during the last three years and despite heavy taxation, reported net income for 1944 will again prove quite favorable. A substantial volume of railroad traffic for the remaining war years is assured and, it is our considered opinion, that a decade of railway prosperity and development may eventuate at the end of the present war.

Railroad reorganizations are being completed and the period of receiverships may soon be terminated. Solvent carriers in the marginal classification are rapidly improving finances and a very marked reduction in debt and fixed charges will be effected during the war period. By the end of 1945 fixed income bearing debt of American railroads will be back to where it was in 1900. This assumes consummation of various reorganization plans as they have been drawn up by I. C. C.

Competition from other forms of transport reached its peak in 1937, according to our findings, and with trucking rates and water carrier tariffs, under the jurisdiction of the I. C. C., it seems unlikely that further adjustment to new competition and rate cutting will eventuate in the future. We expect a healthy improvement in airline transportation but doubt if the basic position of the railroads, as mass producers of freight and passenger service, will be altered to any appreciable extent in coming years.

Spokesmen for the Administration, have frequently pointed out that the Government was fully in accord with the principle that control over rates and wages also demanded that railway credit and earning power be preserved. In our opinion, conservative trends in the House and Senate which are now apparent, suggest that the railroads will be treated equitably in the future, regardless of the political party in power.

The Post War Period

Railroad rates will probably be much higher in the post war decade. Leaders in the trucking industry are openly discussing the need of a 30 to 40 per cent rate increase, and even novices in the field of economics should realize that public utilities, railroads, airlines and other industries, operated in the public interest, must be able to charge enough for their services to cover costs and attract new capital. Otherwise this nation will be headed for communism and complete destruction of our capitalistic economy. As far as the immediate outlook on rates is concerned, little would be gained under present conditions by restoration of the freight rate increase which was cancelled by the I. C. C. on May 15, 1943. A majority of the railroads have exhausted their excess profits tax carryovers and under these conditions it would be virtually impossible to raise earnings above the present level.

The railroads have consistently improved their efficiency and once railway credit has been restored and the war period has ended, a long era of modernization and improvement is in prospect. The I. C. C. and other Government bodies recognize that railway plants are wearing out rapidly under stress of war and the carriers must be permitted to rehabilitate their properties at the earliest opportunity.

The railroads have demonstrated that they were indispensable at various times in our history, but nothing has revealed this with greater clarity than the present war. We hesitate to think what might have happened to our war effort if the railroads had been junked. The War Department does not suffer from any illusion that railway facilities in the future will be supplanted by other forms of transport.

We believe there is considerable evidence to indicate a heavy movement of traffic for export in the coming post war years. In addition, dynamic shortages in consumers goods at home will immediately stimulate manufacturers, when the war ends and when the inflationary aspects of the situation are considered, it seems almost certain that a huge national income in the United States is likely to materialize. Under these conditions, the carriers with strengthened finances and reduced fixed charges will surely prosper.

We are firmly convinced that railway securities are destined to benefit from the long upward cyclical rebound in railway traffic, as compared with the 1930-1940 decade, which appears likely to eventuate at the end of the war. While speculation at this juncture, from the near term viewpoint, may be hazardous, we see no undue risks in buying undervalued railroad securities for cash with the idea of holding over a term of years.

The experience of the railroads during the 1930-1940 decade was not a happy one, and it is only natural that the long period of declining earnings, weakened finances and the recurrence of receiverships similar to the 1873 and 1893 eras, should have wrecked railroad credit and destroyed investors' confidence in railway securities. National railroad policies were ineffectual in bringing about any betterment in the fundamental problems of the carriers. The failure of the railroads in attaining full recovery was one of the major factors explaining the low level of industrial production for almost all of the ten-year period.

Despite pump priming and other measures, the Administration was unable to bring about any lasting prosperity. Soon, the low level of freight traffic (after giving full recognition to the diversion of freight to other forms of transportation) which prevailed was considered a permanent situation. We were told by New Deal economists that all frontiers had been reached in the United States and that we were burdened with excess capacities in durable goods and consumers goods industries. On this basis, it was necessary for a "planned economy" to be made effective. We challenged such views in 1938 and 1939 with research on the extent of industrial obsolescence in the United States. We pointed

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Bank and Insurance Stocks

This Week — Insurance Stocks

By E. A. VAN DEUSEN

Annual reports of stock fire and casualty insurance companies are beginning to filter in, one by one. Thus far reports from the following companies have been received: Aetna Insurance Company and subsidiaries, Continental Insurance Company, Fidelity-Phenix Insurance Company and Fidelity and Deposit Company.

In the Aetna report to stockholders, Mr. W. Ross McCain, the President, called attention to the fact that the year 1944 marked the 125th anniversary of the founding of the business, and that the year's premium volume of $32,356,263 was the largest in the history of the company. Mr. McCain commented on the Supreme Court's decision last June in the following words: "Perplexing questions are presented to your Board of Directors by the decision last summer in the Southeastern Underwriters' case in the Supreme Court of the United States, upsetting the settled law as laid down by the same court for more than 75 years. Taxation of the insurance business has been an important resource to the several States and supervision of the activities of the companies, including rate-making, has been the State's exclusive concern. Insurance is now declared to be in interstate commerce and subject to a long line of regulations formulated for the control of very different activities, without regard to the special requirements of this business. It is expected that many of the tax laws now on the statute books will be found unworkable in the new situation. Some features of rate-making as now practiced must be reviewed to determine whether they are in restraint of trade in interstate commerce. Both Federal laws and State regulations may well have to be modified. An early act of Congress is expected to meet the exigency temporarily. Final disposition will take time.

"Meanwhile, as taxes become due and business must be transacted, the Board will use its best judgment and asks for the sympathetic understanding and cooperation of our stockholders and our customers while the steps preliminary to a solution are being worked out.

"It would seem that even under the most favorable conditions, the insurance companies can look forward to much uncertainty and many problems for years to come. However, insurance is a basic necessity and eventually must be able to solve its own difficulties.

"It is felt that some in the Federal Government are seeking to get control of the insurance business. Stockholders who believe in insurance remaining in the hands of private owners should give help to all those working for the free enterprise system."

The report contains a table which compares 1944 premium volume with 1943 for each of the companies in the Aetna fleet, and also shows 1944 operating ratios, as follows:

	1944 Premiums	Increase over 1943	Incurred Losses %	Expense Ratio
Aetna Insurance Company	$32,356,262.66	$3,900,171.55	51.08	42.96
The World Fire and Marine Insurance Company	2,834,133.13	366,652.04	57.56	43.33
Piedmont Fire Insurance Co.	2,379,371.20	371,820.85	47.67	40.58
Standard Insurance Company of New York	4,984,209.09	413,414.33	49.62	43.63
Combined for fire group	$42,553,976.08	$5,052,058.77	51.15	42.93
The Century Indemnity Co.	$8,475,088.54	$509,898.99	43.27	50.66
Standard Surety & Casualty Company of New York	3,539,812.47	452,208.25	49.02	49.53
Combined for casualty group	$12,014,901.01	$962,107.24	44.97	50.33
Total for all	$54,568,877.09	$6,014,166.01	49.79	44.56

Underwriting operations for the year resulted in a statutory loss of $1,555,393, or approximately $2.08 per share. However, when adjusted for the stockholders' equity in the premium reserve, the loss is reduced to $0.30 per share. Investment income is reported at $1,745,175, or $2.33 per share, compared with $1.93 in 1943. In commenting on these earnings, Mr. McCain pointed to the continuing increase in fire losses due to the strain of war and to lower rates. He further said: "Higher losses and lower rates, increased taxes and expenses, are difficult problems to meet. American business has always been able to meet its problems and we can meet ours. . . . In the post-war period, it would seem that insurance, and especially our companies, should have their full share in the increased business that is bound to come with the return to peacetime activities under free enterprise."

Continental Insurance Company reports a statutory underwriting profit of $653,870 and a net investment income of $4,842,729. After adjustment for premium reserve equity, net underwriting profits are $0.84 per share, compared with $1.84 in 1943. Net investment income is $2.42 per share compared with $2.33, and Federal income taxes are $0.45 compared with $0.91. Total net operating profits, after Federal taxes, compare as follows: 1944, $2.81 per share; 1943, $3.26 per share. Net premiums written were $29,490,000 against $27,075,000 in 1943.

Fidelity-Phenix Insurance Company's statutory underwriting profits were $229,027, or $0.15 per share, in 1944. Net underwriting profits, however, after adjustment premium reserve equity, were $0.77 per share, compared with $2.18 in 1943. Net investment income was $2.70 against $2.63 in 1943 and Federal incomes taxes, $0.35 compared with $1.04. Total net operating profits per share compare as follows: 1944, $3.12; 1943, $3.77. Net premiums written were $23,088,000 against $21,599,000 in 1943.

The stockholders' report by Fidelity and Deposit shows net adjusted underwriting profits of $24.75 compared with $21.86 in 1943; net investment income was $6.12 against $5.78, and Federal income taxes, $12.36 compared with $12.46. Total net operating profits after Federal income taxes compare as follows: 1944, $18.51 per share: 1943, $15.15 per share.

An interesting point brought out in the report by the President, Frank A. Bach, is that Federal and other taxes amounted to $14.11 per share of stock. This is equivalent to 2.35 times the dividend paid to stockholders! Another item of interest is that the company's home office building in Baltimore is carried on the books at a net book value of $900,000 after depreciation reserves of $500,000, compared with an assessed valuation of $2,004,250 and a value of $1,739,014 as allowed by the Insurance Commissioners.

To the extent that the above reports are representative, indications are that underwriting profits by fire companies in 1944 were substantially less than in 1943, and that some companies sustained underwriting losses; that Federal income taxes were lower; that net investment income was moderately higher, and that total net operating profits were some 15% below the 1943 level. Excessively high fire losses seem to be the principal reason for these relatively unfavorable results. This, however, is a war abnormality which will doubtless be corrected upon the resumption of peacetime conditions.

Over-The-Counter Trading

(Continued from page 715)

important segment of the market for corporation bonds and stocks.

As was said in the brief hereinbefore referred to in the Shawmut case:

"A substantial volume of business in bonds, preferred stocks, and other fixed-income securities which are listed or admitted to unlisted trading privileges on exchanges, is transacted over the counter. The principal market for many such securities is found off the exchanges. Even with respect to some common stocks admitted to exchange trading, the volume of trading over the counter frequently exceeds that on the exchange. Blocks of securities too large to be dealt in on the auction market furnished by the exchange without danger of wide fluctuations in price, are normally bought and sold by recourse to the over-the-counter markets. In this connection, it may be stated that securities are largely bought and sold in the over-the-counter market for the account of institutional investors such as banks, trust companies, insurance companies, investment trusts, and educational and charitable foundations, whose dealings are generally in blocks of considerable size."

One of the most outstanding features of over-the-counter trading is the maintenance of a market by and amongst dealers. This takes on responsibilities which differ widely from the broker-investor relationship.

The dealer's market leads to ultimate sales to the public.

Taking a position in the security, a dealer first makes careful study of the background of the investments, and because of his peculiar knowledge based upon the effort made by him, is frequently enabled to realize substantial profits, for the members of the public that he serves.

Dealers in fact become specialists who maintain the markets and are frequently the centers for buy and sell orders throughout the country with respect to the particular securities in which they take a position.

Yet another contrast in the respective markets is illustrated by the following. Whilst orders are matched on the floors of the exchanges, a great part of the-over-the-counter activity consists in the "merchandising" of securities, the finding of buyers and sellers to take the securities bid and offered.

In the over-the-counter field, broker-customer relationship generally is vested with more of a personal element. There is the creation of a market as a result of solicitation and the employment of salesmen.

These are only some of the more important of the many characteristics applying to over-the-counter trading.

This resume is not original with us and can be found in a number of the arguments and briefs which, from time to time, have been presented before the Securities and Exchange Commission.

We think it important to bear them in mind now because of the efforts which are being made to invade over-the-counter operations by means of unlisted trading applications.

Of course, these attempts will be decidedly unpopular and will meet with an avalanche of protest. However, to suggest "that it can't happen here," would be most unfortunate.

The price of obtaining our freedom is constant and unwavering vigilance. This vigilance we must never relax if we are to retain the functional advantages of over-the-counter trading, both to the public and to the securities dealer and broker.

By a long period of custom and usage, the workings of the different markets have demonstrated their responsiveness to the public needs. The ability to so respond should not be impeded by any incursions upon over-the-counter trading.

EACH MARKET SHOULD CONTINUE TO RENDER THE SERVICE FOR WHICH IT IS BEST FITTED.

Resumes Activity

As of Jan. 23, 1945, Schafer Bros., members of the New York Stock Exchange, resumed the status of an active Exchange member firm. On Oct. 23, 1942, it had become inactive during the period that all active general partners were engaged in War service.

NYSE Short Interest Increased in January

The New York Stock Exchange announced on Feb. 6 that short interest as of the close of business on the Jan. 31, 1945 settlement date, as compiled from information obtained by the New York Stock Exchange from its members and member firms, was 1,475,441 shares, compared with 1,390,713 shares on Dec. 29, 1944, both totals excluding short positions carried in the odd-lot accounts of all odd-lot dealers. As of the Jan. 31, 1945 settlement date, the total short interest in all odd-lot dealers' accounts was 39,426 shares, compared with 33,228 shares on Dec. 29, 1944. The Exchange's report added:

Of the 1,256 individual stock issues listed on the Exchange on Jan. 31, 1945, there were 78 issues in which a short interest of 5,000 or more shares existed, or in which a change in the short position of 2,000 or more shares occurred during the month.

In the following tabulation is shown the short interest existing at the close of the last business day for the last 12 months.

1944—	
Jan. 31	847,335
Feb. 28	960,617
Mar. 31	1,028,480
Apr. 29	1,090,581
May 31	1,181,293
June 30	1,287,970
July 31	1,327,641
Aug. 31	1,283,555
Sept. 29	1,275,709
Oct. 31	1,373,540
Nov. 30	1,436,271
Dec. 29	1,390,713
1945—	
Jan. 31	1,475,441

Frederick M. Swan Is With Buckley Brothers

(Special to The Financial Chronicle)

BOSTON, MASS.—Frederick M. Swan has become associated with Buckley Brothers, members of the New York, Philadelphia and Los Angeles Stock Exchanges. The firm's main office is at 1529 Walnut Street, Philadelphia. A New York branch is maintained at 63 Wall Street.

Mr. Swan has for many years been proprietor of Frederick M. Swan & Co. in Boston.

Insurance dollars fight for Victory and build for Prosperity after the War is won!

During five wars in which this country has engaged, the 97-year-old Penn Mutual Life Insurance Company has supported the Government through its investments. At the end of 1944, more than one-third of its total assets was invested in United States Government securities. The Company's dollars are also going into railroads, utilities and industries essential to the war effort. After Victory, these and other Penn Mutual investments will continue to help our country in providing employment and aiding industrial expansion.

$2,141,038,301 of protection was owned by Penn Mutual policyholders as of December 31, 1944, representing 622,960 individual policies.

$135,142,969 of new business was paid for in 1944—a gain of 9.65% over 1943.

$54,515,385 was paid to Penn Mutual policyholders and beneficiaries during 1944.

Penn Mutual's 97th Annual Statement

In accordance with the requirements of its Charter, this Company publishes the following statement which represents the principal features of its NINETY-SEVENTH ANNUAL REPORT to policyholders. A copy will be sent upon request.

Statement of Income and Surplus Reserve

For the Year Ended December 31, 1944

Your Company's income during the year consisted of:		
Insurance premiums, annuity deposits, dividends left with the Company to accumulate at interest, and policy proceeds left with the Company for future distribution under options of settlement	$92,856,795.37	
Investment income consisting of interest, dividends and rents, net increase of $197,184.28 in values of investments, less expenses of foreclosed real estate including $443,311.41 for real estate taxes	29,949,596.10	
Net gain from sale or other disposition of assets	2,176,263.66	
Other income	116,183.60	
		$125,098,838.73
During the year your Company:		
Made payments of policy benefits to policyholders and beneficiaries amounting to . .	$54,515,384.56	
Increased the policy reserves and accumulated dividend fund by the amount of . . .	43,024,922.26	
Paid the cost of operations for the year including $2,152,351.44 for federal and state taxes, licenses and insurance department fees, of which $770,000.00 represents estimated federal income tax for 1944	12,270,992.58	
		109,811,299.40
For the year 1944, your Company's net income was		$ 15,287,539.33
At January 1, 1944, the surplus reserve for the protection of policyholders and available for mortality and investment fluctuations and other contingencies amounted to	$44,168,450.12	
Less unrealized appreciation on stocks and non-amortizable bonds at January 1, 1944	742,592.86	
		43,425,857.26
		$ 58,713,396.59
From the above, your Board of Trustees provided for the payment of dividends to policyholders on policy anniversaries during 1945 in the amount of		10,150,000.00
So that the surplus reserve at December 31, 1944, amounted to .		$ 48,563,396.59

Statement of Financial Condition

December 31, 1944

ASSETS

Cash on hand and in banks		$ 14,207,110.70
Bonds and stocks at amortized or other values prescribed by National Association of Insurance Commissioners:		
Bonds:		
United States Government direct obligations (See Note A)	$328,294,163.36	
Canadian Government direct and guaranteed obligations	32,308,364.26	
State, county and municipal obligations	24,973,934.99	
Railroad obligations	106,459,693.96	
Railroad equipment obligations	31,084,158.37	
Public utility obligations	134,575,043.12	
Industrial and miscellaneous obligations	51,218,628.32	
	$708.913,986.38	
Stocks: Preferred, guaranteed and common	14,880,876.00	
		723,794,862.38
Collateral loans		485,629.33
Mortgages, including $73,016.22 foreclosed liens subject to redemption:		
City	$114,665,139.74	
Farm	3,723,037.38	
		118,388,177.12
Real Estate:		
City	$ 15,639,598.53	
Farm	1,603,328.18	
	$ 17,242,926.71	
Home office building	7,035,751.35	
		24,278,678.06
Loans to policyholders on policies of the Company		48,284,914.78
Interest due and accrued on bonds, mortgages and loans on policies; and rents due and accrued on real estate		7,463,293.71
Premiums due and in process of collection from policyholders and premiums not yet due within current policy year, for which full statutory policy reserves have been set up; and miscellaneous assets		12,204,343.87
Total Admitted Assets		$949,107,009.95

LIABILITIES

Policy reserves which with future premiums and interest earnings provide for the payment of benefits as they fall due under the policies in force . . .		$817,607,019.40
Dividends left by policyholders with the Company at interest, and interest credited thereon		53,847,423.05
Dividends payable to policyholders on policy anniversaries during 1945 (This amount is distributed from savings in mortality, expenses, etc., and from interest earnings in excess of requirement of policy reserves)		10,150,000.00
Policy claims in process of settlement		4,494,416.62
Premiums, interest and rents paid in advance; accrued taxes; dividends to policyholders in course of payment; bills for current operating expenses; and miscellaneous liabilities		10,487,767.21
Unrealized appreciation on stocks and non-amortizable bonds		1,456,987.08
		$898,043,613.36
Surplus Funds:		
Reserve for mortgages	$ 2,500,000.00	
Surplus reserve for the protection of policyholders and available for mortality and investment fluctuations and other contingencies	48,563,396.59	
		51,063,396.59
Total Liabilities and Surplus Funds		$949,107,009.95

NOTE A—United States Government bonds carried at $263,251.48 in the above statement are on deposit with certain States as required by law.

NOTE B—The Statement of Financial Condition and the related Statement of Income and Surplus Reserve are prepared in accordance with accounting principles applied by the Insurance Department of Pennsylvania.

THE PENN MUTUAL LIFE INSURANCE COMPANY

FOUNDED 1847 • INDEPENDENCE SQUARE • PHILADELPHIA

Problems of Tax Reform

(Continued from first page)

Background of Revenue Problems

We have come a long way in the past five years in the devising of the heaviest tax collections ever conceived by man. Our gigantic program of war spending makes this tax collection necessary. The Congress has used every reasonable means, and I am afraid some not-so-reasonable means, to tap the earnings of individuals and business on behalf of the Federal Treasury. Federal yearly revenues are now about 47 billion dollars, and with 10 billion dollars added for state and local levies, taxes amount to over 35 percent of national income.

Our Ways and Means Committee, of which I have the honor to be a member, came to the conclusion last year that income taxes had reached the point of discouragement.

What is this point of discouragement?

Well, out in my big State of Kansas, a farmer says a cow needs three acres of grass. The grass will grow just enough to keep ahead of her appetite. A hundred cows on three hundred acres of pasture would be safe. Put 150 cows in there, and you'll soon get a bovine rendition of "Don't Fence Me In," and a bunch of broken gates. When the grass disappears—a cow gets discouraged. You lose both grass and cows.

If government overloads business with taxes, it will lose both business and revenues. The millions that want jobs in useful private enterprise will be forced to look to a paternalistic government.

Our Committee stood pat against increasing individual income rates for 1945, and with success. The 1944 Revenue Act did increase corporate excess profits taxes from 90 to 95 percent, but the corporate normal and surtaxes were held at the 40 percent rate, and the 80 percent over-all limit was also maintained.

There have been many complaints about the complexity of the tax system and a lot more complaints about the way taxes are collected under interpretations of the law by the administrators. The present tax structure is involved and confusing; simplification and clarification can save many millions of dollars of both the taxpayers' and the government's money.

Efforts Toward Simplification

The Tax Simplification Act of 1944 is our start toward tax reform. It gave 30 million taxpayers the privilege of using the withholding receipts for a tax return; it gave 10 million others the privilege of rapid calculation through the "short form."

Corporate and other business taxes deserve a similar simplification. Of course there are people who thrive professionally on these complexities, but by nature business executives have a yen for efficiency. The "make work" theory has never been accepted as sound economic practice.

The degree of simplification we achieve will be in ratio to your demand and public understanding and I urge you to use your creative talents for this high purpose. I am not nearly so concerned about your concealing complaints from Congress as I am about your being timid with suggestions.

On the Republican side—at least—we have a very subborn attitude on taxation. In the face of all these brilliant new theories by tea-cup economists and long-haired leftists we cling to the idea that taxes should be adjusted to sound business practices, and not that business should have continually to adjust to new taxes.

We don't want government by "TAXOCRATS" continually meddling with the competitive practices that brought this nation the highest living standard on earth and the capacity to outfight and outproduce all regimented peoples.

Some Future Considerations

For that reason, we so-called conservatives have some weird experiences in trying to frame a tax law with the so-called liberals, who are especially liberal with the dollars of 50 million taxpayers. It's like approaching fatherhood. You try to work, try to study, pace the floor; you begin to get scared. Finally, you get a law. Then come the screams. Your tax baby looks strange, maybe deformed. You say: "Did I help produce this thing?" So we look for someone to share the blame. We call in the tax doctors.

One thoughtful suggestion which came out of this group, I believe, proposes that information returns for income tax purposes and the employer's return for social security taxes be combined. To me, this double reporting, looks unnecessary and I hope you can suggest practical methods of relief.

Some of you report difficulty over an interpretation by the Bureau of Internal Revenue which requires tax withholdings to be reported as of the date of actual payment, rather than determining the withholdings on the basis of established payroll periods. I am sure a solution to this problem can be worked out with your assistance, so that you will not be required to abandon sound and established practices.

I mention these two problems because they illustrate how you can give us guidance from your own personal experience.

The Individual Income Tax

We still have a complication with regard to individual income taxes which is bothersome. Exemptions for normal and surtaxes are not the same. We allow $500 exemption per taxpayer for the 3 percent normal tax, and for surtaxes we give a $500 exemption respectively to taxpayer, spouse and dependents.

This procedure is necessary to obtain as many tax-contributors to the war effort as possible, since the burden is so great that all must share the load. Had the many surtax exemptions been allowed for normal taxes, about 12 million would have escaped income taxes.

The great simplification feature of the present income tax is the option granted to some 30,000,000 taxpayers to use their withholding receipts as a tax return. Thus, we have shifted at least part of the cost and trouble of tax computation to the government. It does not hit the heart of the problem since the law itself is still cumbersome and unwieldy.

I believe we can produce a clearly written tax law which the average taxpayer can understand and follow. A man can dream, can't he?

The Taxes on Corporation

So far, nothing has been accomplished toward simplification of corporate taxes. There are five corporate taxes:

1. Norman tax top rate, 24%.
2. Surtax top rate, 16%.
3. Capital Stock Tax $1.25 per thousand of declared value.
4. Declared Value Excess-Profits Tax, 6 6/10 to 13 2/10%.
5. Excess Profits Tax, 95%.

The last tax is clearly a war measure and certainly has no place in peacetime economy. It should be eliminated immediately with victory. And it is only proper to call a spade a spade and refer to the recapture of profits through renegotiation a sixth tax and one which only war can justify.

The capital stock tax and declared value excess profits tax were adopted back in the early days of the Roosevelt Administration.

The budget estimates a yield from these taxes for the fiscal year ended June 30, 1946 at about $500 million. This is not all revenue by any means, because both taxes are allowed as deductions in computing income and excess profits taxes. Hence, the government realizes only about $150 million net revenue from these sources.

Aside from the comparatively small revenue involved, these taxes have caused more headaches to business than any tax which has ever been written into the Federal code. It is admitted to be a guessing game. The one guessing closest the future income of his corporation is the prize-winner because he pays less taxes. This is a particularly difficult and often costly sport, especially in these times of uncertain incomes. The declared value excess profits tax and the related capital stock tax should be eliminated.

I believe our tax system should telescope corporation normal and surtaxes into one flat rate and give a lower rate to small business through credits or exemptions. The complicated structure of normal and surtaxes were enacted to collect income tax on the interest from partially-exempt Federal bonds. They are still exempt from normal tax, but the surtax catches them.

Now, since the interest from all government bonds issued after March, 1941, is subject both to normal and surtaxes, the problem has all but disappeared, and could be solved if the Treasury would call in the partially-exempt bonds, which are callable and allow a tax credit on the balance.

A Sound Tax Structure

I am a great believer in having ONE tax for corporations in order to eliminate the waste and expense of keeping the many records which are now required to compute taxes on so many different bases. The government would save the countless manhours now devoted to checking taxpayers' returns; business would be relieved of many millions of dollars of needless cost of compliance.

Frequent changes in our tax laws play havoc with business policies. It has been impossible for most taxpayers to plan ahead. Not only that—but they must maintain idle funds against unsettled taxes, new claims and new decisions by the collector. Business cannot plan employment and operating policies upon such an indefinite tax policy and shifting interpretations. Certainty in taxes can contribute greatly to our future progress.

The tax policies of Great Britain and Canada in this respect provide quite a contrast to our own. While these nations like ours, have been faced with extreme war conditions and have made frequent changes in rates and exemptions, the great body of their substantive tax law HAS NOT BEEN CHANGED IN THE LAST 10 OR 15 YEARS. They change the rates—not the tax structure.

Our postwar taxes should be so soundly conceived that we can emulate our British and Canadian cousins in their constancy.

Present Fiscal Picture

What's ahead in taxes? Well, before discussing that, let us look at our present fiscal picture. During the current year the budget anticipates a total outgo of $99 billions. Estimated receipts, after the appropriation for the old age fund, is set at $46 billions.

Now, where are these collections coming from?

Individual income taxes, about $19 billions.

Corporation Income Taxes and Excess Profits Taxes, about $17 billions.

This total of 36 billion dollars of income taxes will furnish almost 80 percent of our total revenue. In addition, somewhat under $2 billions is expected to go into the Treasury through renegotiation.

We will collect $5½ billions from excise taxes and one half billion net from employment taxes. The balance—about 2½ billions—will come from estate and gift taxes, customs and miscellaneous receipts.

A Comparison of Nations

No other country derives so much of its total revenue from income taxes. In many nations, more than one-half of the revenues come from excises. Great Britain gets a fourth of her total revenues from excises, even though she is a firm believer in the income tax. In one of his recent budget messages, the British Chancellor expressed hope for the return to the system of more reliance on excises. Canada gets about one-third of her revenues from excises.

Therefore, any consideration of postwar tax programs must determine what percentages of the burden shall be borne by excises, personal and corporate income. Men have been eternally seeking the proper balance. It is in the scales of economic justice.

Tax Plans—Good and Bad

Some of our postwar tax plans go so far as to advocate a complete repeal of the corporation income taxes. Some tax economists advocate on eventual repeal of most excises.

Other groups favor a high corporate tax and advocate low personal income taxes. There can be and is an honest difference of opinion as to which method merits approval. On one premise—we must agree—that is—as long as the government spends, we've got to meet expenditures by taxes.

No, we cannot approach this bright new peace by reducing taxes simply to ease the tax burden, or by suggestions that the other fellow pay instead of you.

The Federal Financial System

Our Ways and Means Committee of the House is the source of the tax law. Likewise, the Appropriations Committee is the source of authority to withdraw money from the Treasury. Of course both are subject to the vote of the whole Congress, but the House Committees do the original planning and spadework.

As now organized, Ways and Means plan the taxing without so much as a conference with the Appropriations group on the spending. We in Ways and Means must impose all the taxes we think the economy can bear, yet revenues have lagged far behind expenditures. The result is deficit and debt, and while deficits are unquestionably necessary during war, as a peacetime policy they promise only national catastrophe.

The so-called "streamlining" of Congress is the subject of various plans, and some of them seek better correlation between the spending and taxing functions. Congress needs well-paid and expert help to handle these billions in budgeting. Also, professionally, you should be interested, for men of your methods and talents are just the type who can save us billions in both spending and tax planning.

We are just pouring sand down a rathole in our tax planning unless it is related to control of spending. Spending IS taxing. The tax burden is compounded when that spending competes with business and destroys taxpayers.

The Tax Planning

There have been several com-

prehensive studies on the postwar tax system. Two or three are being made by government bodies; others come from unofficial, but nonetheless authoritative groups. They are all helpful and hopeful and will receive careful consideration. Perhaps they take too much for granted in spending economies and balanced budgets, but the fact that 62 proposals (at the last count) have been produced is prime evidence of aroused taxpayers.

Postwar taxes are getting more attention than any other proposed legislation in our history. All tax groups, whether they be Republicans, Democrats, Right or Left, Labor, Business or Agriculture, AGREE that expanded business activity and high employment are the twin goals of our postwar economy.

But let's not say that taxes in themselves will bring about either. The chief contribution our tax system can make is to give employment and business activity the best tax climate we can reasonably afford.

All of us concerned with taxation may well ask of each tax that is now on the books: "Does it injure the chance of full employment?"

The excess profits tax is marked for early slaughter on my list as a tax which seriously discourages investment in new enterprise or in the expansion of business.

This tax tends to discourage the very type of business that is going to make jobs—the enterprise that involves considerable risk. Surely there still is a place in America to make an honest gain by risking a shoe-string on an idea, a patent or by hard work—an idea that will make jobs.

What other taxes should be reduced and to what degree is a round-robin argument. Surtaxes on personal income are too high and will discourage investment; the same is true of corporation taxes.

The double taxation of dividends as individual income after they have been taxed as corporation income is an inequity and needs serious study.

Small business needs special considerations. The big ideas of today, the core of our progress, came out of the little tinker shops of yesterday. More than any anti-trust legislation, the promotion of the welfare of small business is a guard against monopolies and social stagnation. We must therefore be certain that tax relief applies to the lower brackets and small enterprises for the sake of employment as well as progress.

I speak particularly of taxes on business largely because I believe it is your professional interest and also because corporation taxes are my particular assignment in the Republican Postwar Tax Study Committee. This Committee is composed of 25 members of the minority who are versed in tax matters, and under the able leadership of Mr. Reed of New York. However, I must for the record say that income taxes are just as burdensome upon the individual. Any reduction of corporate income taxes must have a compensating reduction in individual taxes.

Taxes and Budget

By the lowest estimates, our postwar budgets are going to run $17 to $30 billion, depending on how much we spend for war veterans, foreign relief, defense, debt and public works. These are the items above those we used to consider a normal 4 billion dollar government.

We are collecting about 46 billion dollars in wartime taxes. If we spend $23 billion we could reduce our tax collections 50% and still balance the budget on our present basis of national income.

Now, please don't anyone say that we plan to cut postwar taxes in half. It might be good politics to say it, but it would be dishonest and a disservice. I hope we can do it. The only honest way is through economy in government spending and prosperity shared by labor, agriculture and industry.

Joint Committee on Taxation

The Joint Committee on Taxation, representing the House Ways and Means Committee and the Senate Finance Committee, is giving the entire tax structure and our postwar problems a careful and close study. It has assigned its staff, directed by the very able and overworked Colin F. Stam, to the details of this tremendous task.

The joint committee by a resolution requested the Treasury to devote their full energy to this problem. Their tax economists and experts are cooperating wholeheartedly. Every possible effort is being made to gather in the ideas of tax minded persons and groups.

Probable postwar budgets are being set up and from this long study, which started back in June and July of last year, the Congress will be furnished the basic facts, data and information on which to proceed and write the changes in our tax laws.

You men who know the general thinking of our committee in the House under Hon. Robert Doughton's leadership, and the Finance Committee of the Senate under Senator George, will understand the good common sense that will be basic in the task. Perhaps that is the greatest word of encouragement and optimism I can bring you.

A Federal Tax Commission

The one thing I dread is a repetition of past experiences. Our Committee will be petitioned by and hear the testimony of Labor, Agriculture and Business. Each group will ably and honestly present their suggestions.

In case of conflict, who are we to believe? Or shall we just follow the rule of votes and constituency? Will this old-fashioned, time-worn routine give us a sound tax structure? No, it will not.

I have consistently advocated a Federal tax commission, a commission composed of representatives of agriculture, labor, business and industry, individual taxpayers and consumers, tax accountants, tax lawyers and tax economists, this committee to cooperate as a fact finding and advisory committee to the Congress.

Congress can write a tax bill but it must be acceptable to our people. We need the wide experience and broad views of every group. We must have the wholehearted cooperation of labor, agriculture and industry.

My anxiety is that the best tax plan bears the widest approval of the nation, because it is the plan of most general approval that is going to be your tax law, perhaps the tax basis for generations to come.

Don't personalize your tax complaints. Fit them in with the tax problems of others. Judge them in terms of national welfare.

Building the Postwar Tax Structure

Having this in mind I think we can all agree on five basic points which must be the very foundation of our postwar tax structure.

1. As to its source, it must be developed by a representative, patriotic group, not one suspect of privilege.

2. As to its effect, the primary motive must be maximum employment AND business activity.

3. As to its scope, it must give more than casual attention to the balancing of spending by revenues.

4. As to its benefits, it must equitably spread tax relief.

5. As to its soundness, it must bear approval by the most expert AND practical opinion available.

Your taxation committee—the whole of Congress for that matter—are only the sounding board of the nation. Before we are lawmakers, we are selectors and arbiters between the segments of our economy.

The justice of your government depends upon the interest in government by the just. And the summary expression of government is its taxes, for in their collection the government manifests its character—constructive or destructive.

Let's not patch our tax structure with politics, privilege and provincialism.

Let's leave enough grass for the cows.

Dealer-Broker Investment Recommendations and Literature

(Continued from page 717)

dum—**Herzog & Co.**, 170 Broadway, New York 7, N. Y.

Boston & Maine Income 4½s of 1970—memorandum on potentialities—**McLaughlin, Baird & Reuss**, 1 Wall Street, New York 5, N. Y.

Boston & Providence Railroad—descriptive circular—**Adams & Peck**, 63 Wall Street, New York 5, N. Y.

Central Iron & Steel—bulletin on recent developments—**Lerner & Co.**, 10 Post Office Square, Boston 9, Mass.

Central Soya — Discussion of possibilities — **Buckley Brothers**, 1529 Walnut Street, Philadelphia 2, Pa.

Chicago North Shore and Milwaukee Railroad—Analysis of equities and earnings available—**Brailsford & Co.**, 208 South La Salle Street, Chicago 4, Ill.

A. De Pinna Co.—current and future possibilities — **Herrick, Waddell & Co., Inc.**, 55 Liberty Street, New York 5, N. Y.

Denver & Rio Grande Western Railroad Co. — Memorandum on operating revenues for 1944—**Vilas & Hickey**, 49 Wall Street, New York 5, N. Y.

Fashion Park, Inc.—post-war outlook—**Simons, Linburn & Co.**, 25 Broad Street, New York 4, N. Y.

Grinnell Corporation—post-war prospects and current position—**Amott, Baker & Co., Inc.**, 150 Broadway, New York 7, N. Y.

Gruen Watch — Discussion of potentialities—**Buckley Brothers**, 1529 Walnut Street, Philadelphia 2, Pa.

Indiana Gas & Chemical—late memorandum—**First of New York Corporaton**, 70 Pine Street, New York 5, N. Y.

Industrial Brownhoist — Recent bulletin — **Allman, Moreland & Co.**, Penobscot Building, Detroit 26, Mich.

Interstate Aircraft & Engineering Co.—Present and prospective possibilities—**Hirsch & Co.**, 25 Broad Street, New York 4, N. Y.

Long Bell Lumber Company—memo discussing enviable post-war outlook and earnings possibilities—**Comstock & Co.**, 231 South La Salle Street, Chicago 4, Ill.

P. R. Mallory & Co., Inc.—analytical discussion—**Steiner, Rouse & Co.**, 25 Broad Street, New York 4, N. Y.

Merchants Distilling Common—Memorandum—**Buckley Brothers**, 1529 Walnut Street, Philadelphia 2, Pa.

Midland United Preferred — Analysis—**Ira Haupt & Co.**, 111 Broadway, New York 6, N. Y.

National Gas & Electric Corporation—report on position and outlook—**Peter Morgan & Co.**, 31 Nassau Street, New York 5, N. Y.

New Bedford Rayon Company—comparative earnings figures—**F. H. Koller & Co., Inc.**, 111 Broadway, New York 6, N. Y.

New York Bank Stocks—comparative analysis and significant ratios for eighteen stocks in 1944—**Laird, Bissell & Meeds**, 120 Broadway, New York 5, N. Y.

New York, New Haven & Hartford Railroad Company—A study of the current situation and discussion of the pending reorganization plan—**H. Hentz & Co.**, Hanover Square, New York 4, N. Y.

Oxford Paper preferred and common—analytical study—**Goodbody & Co.**, 115 Broadway, New York 6, N. Y.

Panama Coca-Cola—Discussion of this situation—**Hoit, Rose & Troster**, 74 Trinity Place, New York 6, N. Y.

Pickering Lumber Co.—memo regarding possibility of oil discovery on properties owned by the company—**White & Company**, Mississippi Valley Trust Building, St. Louis 1, Mo.

Pittsburgh Railways — current study—**First of New York Corporation**, 70 Pine Street, New York 5, N. Y.

Post War Earnings and Debt Reduction Possibilities for Seaboard Railway Company—circular on written request—**Pflugfelder, Bampton & Rust**, 61 Broadway, New York 6, N. Y.

Public National Bank & Trust Company—comparative figures—**C. E. Unterberg & Company**, 61 Broadway, New York 6, N. Y.

Railroad Earnings — Record of the last six years, and a guess—**Paine, Webber, Jackson & Curtis**, 25 Broad Street, New York 4, N. Y.

Schenley Distillers Corporation—brochure of articles they have been running in the Chronicle—write to Mark Merit, in care of **Schenley Distillers Corporation**, 350 Fifth Avenue, New York 1, N. Y.

Sentinel Radio — Descriptive circular—**J. F. Reilly & Co.**, 111 Broadway, New York 6, N. Y.

Skilsaw, Inc.—Analysis—**W. J. Banigan & Co.**, 50 Broadway, New York 4, N. Y.

United Piece Dye Works—discussion of long term possibilities for those speculatively inclined—**Ward & Co.**, 120 Broadway, New York 5, N. Y. Also available are late memoranda on:

Du Mont Laboratories "A"; Great American Industries; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Electrolux; Brockway Motors; Scoville Mfg.; Bird & Sons; Riley Stoker; Alabama Mills, Inc.; American Hardware; Douglas Shoe; Hartford-Empire; Maine Central Pfd.; Purolator; Moxie; and P. R. Mallory.

Wellman Engineering Company—prospects discussed — **Wm. J. Mericka & Co., Inc.**, 29 Broadway, New York City.

Mutual Funds

Industry Selection

In a new folder, **Hugh W. Long & Co.** compares the annual price changes of the 20 industry series of **New York Stocks** with the Dow-Jones Industrial Average.

In 1943, **fifteen** out of the 20 industry series outperformed the Average. And, in 1944, **sixteen** of the industry series registered greater gains than the Average.

"Industry selection really pays!"

In a companion folder, Hugh W. Long & Co. compares the performance of the various industry series with selected individual stocks in each industry. The conclusion to which this comparison points is clear—

"Even in the right industry—you don't always get the right stocks."

Professional Investing

Distributors Group has made available to affiliated dealers a timely little folder entitled "Why We Employ **Institutional Methods** in the Management of Your Savings." The folder is designed for the dealer's imprint and is based on the growing trend among investors to realize the need for and to seek professional advice.

A $10,000 Investment Program

"There are four major targets for the investor to aim at when making a commitment in securities," writes **Keystone Corp.** in the current issue of **Keynotes.** These targets are:

1. Reserve Fund
2. Income
3. Income and Growth
4. Growth

The bulletin suggests that a balanced investment program for $10,000 be set up as follows:

10% for Reserves
50% for Income
20% for Income and Growth
20% for Growth

By means of the various **Keystone Custodian Funds,** not only is this diversification available, but the investment can be so arranged as to obtain a distribution check 12 months in the year.

Endowment Funds

Vance, Sanders & Co. comments in the current issue of **Brevits** on the "considerable interest" evoked by a recent discussion of the investment porfolios of leading college endowment funds. The point of greatest interest was the growing percentage of common stock holdings in such funds.

The current issue of Brevits gives similar figures on four of the most highly endowed charitable foundations.

Foundations	% of Investment in Common Stocks
Carnegie Corp. of N. Y.	17.2%
Carnegie Inst. of Wash.	38.7
Commonwealth Fund	58.1
Rockefeller Foundation	51.3
Average	39.6%

All told these institutions hold bonds, preferreds and common stocks, having a market value of over $850,000,000 of which over $300,000,000 is invested in common stocks.

George Putnam Fund

"A more cautious investment policy" is the keynote of the Trustees' Letter to Stockholders in the Annual Report of the **George Putnam Fund.**

"Starting in the final quarter of 1944, we began a deliberate policy of reducing the Common Stock Portion of the Fund through the sale of certain holdings. This policy of 'taking in sail' has been accelerated since the first of the year."

During 1944 net assets of the Fund were increased from $7,965,000 to $11,181,000 and the number of shares outstanding from 609,887 to 757,190.

New England Fund

At the 1944 year-end net assets of **New England Fund** were $2,790,229, equivalent to $13.89 per share. In a notice accompanying the Annual Report, the Trustees stated that by reason of the net capital loss taken by the Fund during 1944, dividends paid during the year are to be treated as a return of capital and are therefore not subject to Federal income taxes.

Mutual Fund Literature

Lord, Abbett—Current issue of **Abstracts** quoting excerpts from the Annual Reports on the Lord, Abbett funds; **Composite Summary** folder from the Lord, Abbett funds for February. . . . **National Securities & Research Corp.** — Memorandum showing portfolio changes in the National funds for January; **Current Information** folder giving data on the National funds as of Feb. 1. . . . **Distributors Group**—Monthly **Investment Report** on **Group Securities, Inc.** and current portfolio folders on **Railroad (Bond) Shares, General Bond Shares** and **Low Priced Shares** with data as of Jan. 31; current issue of **Railroad News.** . . . **George Putnam Fund** — Portfolio memorandum with January changes. . . . **Calvin Bullock** — Current **Bulletin** on **Dividend Shares;** revised folders, "Who Owns Dividend Shares and Why?" and "A Brief Description of Dividend Shares." . . . **Selected Investments Co.**—Current issue "These Things Seemed Important." . . . **Keystone Corp.**—Revised folder, "A Guide to Common Stock Investments"; revised portfolio folders on **Keystone B-1, B-2, B-3** and **B-4.** . . . **Hare's Ltd.** —"Current Considerations" memorandum on bank earnings and dividends.

Michigan Brevities

(Continued from page 726)

Securities Commission, has been made Chairman of the Board of Directors of the Farmington State Bank, Farmington, and has been succeeded as President of the institution by Howard C. Knickerbocker.

* * *

A bill intended to prevent widespread branch banking in Michigan was introduced in the State Senate this week by Senator Otto W. Bishop of Alpena, who also sponsored the bill in the 1943 session of the Legislature, which was defeated in the Senate by a narrow margin. It was rumors of graft in connection with the fight over this measure that resulted in the calling of the State grand jury now in progress at Lansing.

The proposed bill would permit the establishment of branches only in the County in which the parent bank is located or within 25 miles of the parent bank or in a contiguous County if that County should have no bank.

The State constitution directs would enable preliminary steps that banking legislation must have a two-thirds vote of the members of each House for passage. In 1941 an anti-branch bank bill passed both houses but was vetoed by Governor Murray D. Van Wagoner.

Luckhurst in New Quarters

Luckhurst & Company announce the removal of their offices from 60 Broad Street to 40 Exchange Place, New York City. The telephones remain the same.

Murphy Heads Div. of Catholic Charities

Peter J. Murphy of F. S. Smithers & Company has been named chairman of the Investment Bankers division of the Special Gifts Committee of the Archbishop's Committee of the Laity for the 1945 Appeal of New York Catholic Charities, it is announced by John A. Coleman, Executive Chairman of the Committee.

Serving with Mr. Murphy is Edward F. Hayes of Glore, Forgan & Company as Vice-Chairman. Additional members for this division will be recruited from men in the same and allied lines of business.

The Special Gifts Committee, comprising business and professional leaders of New York City organized in groups, will function prior to the Annual Parish Appeal of Catholic Charities which in turn will begin April 22 in the 374 parishes of the New York Archdiocese. This is the 26th Annual Appeal of the organization which coordinates the work of institutions and agencies including hospitals, child-caring homes, settlement houses, day nurseries, homes for the aged, summer camps and many other welfare agencies, including family relief.

Last year New York Catholic Charities aided 500,000 individuals in the New York Archdiocese which comprises the boroughs of Manhattan, Bronx and Richmond in Greater New York and the Counties of Westchester, Orange, Dutchess, Rockland, Ulster, Putnam and Sullivan, outside the city.

Kaiser & Co. Have Become New York Curb Members

SAN FRANCISCO, CALIF.—Announcement has been made that with the election of Leland M. Kaiser to membership, the firm of Kaiser & Co. have become members of the New York Curb Exchange.

Kaiser & Co. are investment bankers, specializing in state and municipal bonds, and are members of the New York and San Francisco Stock Exchanges. Offices are maintained in the Russ Building, San Francisco, and at 25 Broad Street, New York City.

Put & Call Brokers Nominate Harnden

S. D. Harnden has been nominated for the post of president of the Put and Call Brokers and Dealers Association of New York. The election will be held in April.

OUR REPORTER'S REPORT

The current week proved one of the quietest, from a standpoint of the new issue market, since the turn of the year. Notwithstanding the fact that the list of "potentials" is long and ever-growing, there does not appear to be any tendency on the part of either the issuers or bankers to rush business.

Quite to the contrary investment bankers do not seem to be disconcerted by the prevailing lull even though it is admitted that the market is not especially burdened by unsold portions of new undertakings brought to market in recent weeks. True, there are bits and pieces of some new issues around but interested parties express their satisfaction with the way things are moving.

One of the few issues to reach market this week consisted of $7,360,000 of new 3½ per cent debentures of the Tri-Continental Corp. due to mature in 1960 which were offered publicly yesterday.

Proceeds from this offering, which incidentally encountered a good reception, will be used by the big trust together with other available funds, to retire $2,460,000 of 5 per cent convertible debentures and $4,900,000 of bank loans.

This is the largest piece of investment trust financing to reach market in many months and presumably reflects a growing disposition on the part of some of those institutions to fund portions of their floating debts.

Pere Marquette Plans

Doubtless spurred by the success of the Wabash in marketing its revised loan on an attractive scale, the Pere Marquette Railroad has just revealed plans for a substantial piece of refunding.

This road has applied to the Interstate Commerce Commission for authority to go ahead with a program which would replace a large part of its currently outstanding debt, involving the issuance of $60,000,000 of new bonds and the public sale of $50,000,000 of the total.

Under the prevailing setup the sale to bankers would, of course, be on the basis of competitive bidding with the latter having been requested to submit tenders for the public portion of the issue on or before next Monday.

The $10,000,000 would be used to replace a total of $10,045,000 of the Series C loan now held by the road's treasury.

Splitting the Issue

Shawinigan Water & Power Co. plans a quick refunding operation if its appeal to the Quebec Public Service Board for authority to call for redemption on March 1, $34,164,000 of Series A 4½s, is granted.

The company would provide necessary funds through the medium of two new issues. One $9,164,000 of 3½ per cent first mortgage and collateral bonds, Series J, due 1970, would be limited to sale in Canada and made payable in Canadian funds.

The bulk of the new financing $25,000,000 also 3½s and due in 1970, to be known as Series K, would, it appears, probably seek a market in New York.

Hold Their Popularity

Baltimore & Ohio Railroad is in the market with an issue of $4,575,000 of new serial equipment trust certificates to be dated March 1 next and mature from 1946 to 1960.

There is growing evidence, according to reports, that this type paper is becoming increasingly attractive to commercial banks as an outlet for their available funds.

With the necessity for employing such moneys proving an ever-mounting problem, under current conditions, these institutions are understood to be given to easing the maturity requirements heretofore maintained by portfolio managers.

Last week's sale of $6,000,000 of equipments by the Pennsylvania on a 1.97 per cent basis for an average maturity of 8½ years was looked upon as setting a new record for this type of investment paper.

There are some around who would not be at all surprised to see the commercial banks possibly as direct bidders for such issues in the near future. Aside from their taxable angle, they are now ranked well up with municipals as an outlet for banks' intermediate funds.

International Lighting Exposition Postponed

Postponement of the International Lighting Exposition scheduled for Chicago on April 19-23 until next year was announced on Jan. 22 by the Chairman of the Industrial and Commercial Lighting Equipment Section of the National Electrical Manufacturers Association, S. R. Naysmith. This action, it is announced, resulted from the desire of the Association to cooperate fully with the expressed desire of the government to reduce travel resulting from conventions and expositions.

The Section released the following statement: "While lighting is essential to effective war production and while every exhibitor in the now postponed Exposition is engaged in vital war production, it is the conviction of the members of the Industrial and Commercial Lighting Equipment Section of the National Electrical Manufacturers Association that in view of the expressed desires of War Mobilization Director Byrnes, the International Lighting Exposition planned for April of this year should be postponed.

"Naturally, the Section regrets that such action has become necessary. The interest in the Exposition has been so great that it is evident that a lighting exposition can and will serve a great public purpose. It is the aim of the Industrial and Commercial Lighting Equipment Section to continue with the plans of this Exposition to the end that when we are closer to Victory the Exposition can be held with special emphasis on lighting for the reconversion and post-war periods. The Section expresses its thanks to all those who have cooperated so fully in the Exposition activity and asks their continued support during the interim activities. Any correspondence relative to the Exposition should be addressed to the Secretary, Industrial and Commercial Lighting Equipment Section, National Electrical Manufacturers Association, 155 East 44th Street, New York 17, New York.

Canadian Securities

By BRUCE WILLIAMS

From the Canadian angle, the implementation of the Bretton Woods agreement is highly important. Likewise it is essential for Britain that a scheme be adopted that will aim at the resumption of full scale international trade. Will not also our own best interests be served by the adoption of such a plan, however imperfect it might be in its present form?

Britain and Canada are among our best customers, and for this reason alone it is essential to keep the economic machinery of these countries in working order. Furthermore, the goal of full employment by private industry will be impossible of attainment unless broader and freer foreign markets are established. With members of the Fund management restricted to bankers and business men with practical experience of international commerce, the plan should have a good chance of working out.

Before rejecting the Bretton Woods plan, it would be well to consider the possible alternatives. The consequences of such rejection appear only too clear. In self-defense there would be a complete reversion to a total form of economic nationalism and the worst sufferers would be Britain, Canada and, in the end, this country, all of which depend on world trade to maintain a healthy domestic economy.

It is likely also that, after a period of trial and error which will necessitate possibly drastic modification of the original scheme, the Bretton Woods plan will constitute the "Key Countries" scheme in reverse.

In the heyday of Britain's world commercial supremacy, it was not the gold standard policy that caused international trade to function efficiently, but the fact that Britain controlled and expanded world commerce by free lending and free trade. Similarly, it will not be the plan or the smaller trading nations which will finally direct the future course and extent of world trade, but those countries which will have the largest measure of control and which are the readiest to take the initiative in creating the greatest freedom in the trade channels of the world.

In reviewing the market for the past week, the description which has fitted the situation since the beginning of the year still applies—strength with activity limited by the dearth of supply. Prices generally were higher with most interest still centering in Montreals.

Albertas were also in demand and it is now generally expected that the Alberta Government, as previously suggested, will shortly make an offer direct to the bondholders possibly along the lines already mentioned—a long term 3½, a cash settlement of approximately one-third of the back-interest, and perhaps recognition of the balance of the interest arrears in some other form.

Internal issues were again fairly active, with Dominion bonds, Abitibis and golds especially prominent. Recent new discoveries of gold both in the old mining districts of Quebec and Ontario as well as in the highly promising new camps in the Yellowknife district of the North West Territories, and the Snow Lake area of Northern Manitoba suggest that new record production figures will be attained as soon as wartime restrictions are lifted.

Turning to the possible future trend, the dominant market factors are still the scarcity of high grades and the differential in favor of Canadians when contrasted with comparable domestic issues. The market, therefore, can still advance unless dampened by unexpected election developments of an unfavorable nature.

The Future of the Railroads

(Continued from page 727)

out that there was virtually no capacity in the country for production of light weight steels in the amounts required and that in every industry, there were excellent opportunities for expansion and development under favorable conditions.

Unwarranted Pessimistic Long-Term Views

While many analysts have temporarily adopted a more constructive view toward the railroad group, we do not believe there is any widespread confidence in the outlook for the carriers over the longer term. We have listed the chief factors given by many individuals for believing the future position of the railroads is in jeopardy:

1. Members of the I. C. C. and Justices of the Supreme Court have called attention to the difficult conditions to eventuate in the post war period ahead.

2. The railroads, as a whole, are overcapitalized. Their plants are not modern in all respects and their equipment is obsolete. The industry is fully matured and growth prospects are absent.

3. A large proportion of the traffic now moving is temporary. The Nickel Plate, Kansas City Southern, Illinois Central, Missouri Pacific and other lines benefiting from oil shipments will lose this traffic. When the Panama Canal reopens, the transcontinentals, such as Union Pacific, Santa Fe and Southern Pacific will suffer. Truck competition will again prove severe.

4. People of today are air minded. The railroads are going to be "hard hit" by the air lines. Practically all first class travel will move by air and the carriers will lose the profitable high tariff freight as well.

5. Only the strongest railroads can survive the post war years. Traffic will recede sharply and with present high wages most of the marginal carriers will be forced to reorganize.

We believe the preceding five points are inclusive of the major reasons given by most analysts for their pessimism with respect to post war conditions in the industry. In some cases the preceding points can be refuted by facts but in other instances, future conditions are a matter of opinion and speculation. For the most part,, we do not agree with the five tenets mentioned and our reasons are as follows:

We are not unmindful of the wear and tear on railway plants which is now in evidence on all major systems. It is constructive that the I. C. C. recognizes that the carriers must be able to earn sufficient net to restore properties in suitable condition to handle future traffic with safety and efficiency. The question of probable post war conditions, however, is conjectural and we find that more and more people are beginning to see signs that business may be very active over the next decade.

Supreme Court Justice Douglas mentioned the Milwaukee's earnings as indicative of the kind of business conditions the railroads might face when the war ends. It is true that all major railroads were adversely affected in 1921, and many reported huge deficits. However, gross revenues were very satisfactory and the 1921 depression was largely a matter of inventory adjustment and deflation in war expanded prices. Under the Government, the railroads had been allowed to deteriorate and operating ratios of 95 and 99 per cent were common in 1921.

There are numerous expert economists, engineers and many conservative industrialists who are looking for a post-war boom instead of depression. We feel that this is fully warranted by historical data and the present thoughts of serious railway executives substantiate this viewpoint. Therefore, on item 1 we do not see that there is sufficient evidence to indicate a serious post-war downturn in business or to give this assumption any consideration in the evaluation of the railroad and business outlook. Even if a short period of adjustment occurs, it should not affect business or the carriers too adversely.

In answering point 2 we have factual data in I. C. C. official reports, which show that the railroads are not over capitalized in relation to either original cost or reproduction value. During the last hundred years, many carriers have been reorganized two or three times. Much of the present railway plant was paid for by English and Dutch investors who took a "severe beating" in the reorganizations of 1873 and 1893.

There can be no question about the superlative railroad facilities enjoyed by this nation. However, there has been little doubt that the railroads of the country are over-capitalized in relation to what they can charge for freight service. Our present economy does not permit shippers to pay what they should for transportation service and the carriers have always been conscious of "what the traffic will bear" in rate making policies, long before the I. C. C. assumed control over rates.

It is true that railway locomotives and freight cars, and many passenger cars are obsolete, but the railroads have been modernizing as rapidly as earnings and finances allowed. Some railroad roadways are not truly modern and vast improvements along this line will be required in the future. In order to compete with airlines in future years, higher speeds are necessary. There are relatively few carriers with main line roadways and equipment which will warrant high speed trains. Throughout the South, grades will have to be eliminated and a substantial trackage relocated. This is also true of some eastern and western roads.

The day is over when a railroad with an inferior engineering location to begin with, operating over two and three per cent grades with excessive curvature, can hope to compete with air lines and automobiles. Stating this clearly, we see nothing which will jeopardize the Pennsylvania's modern high speed New York-Philadelphia main line, or Santa Fe's double tracked roadway from Chicago west, or the fine four and six tracked main route of the New York Central. Trains are already running over these roads at speeds of from 75 to 110 miles per hour.

We do not intend being unduly critical, but many railway locations are obsolete and are no longer satisfactory for modern transportation service. What was entirely satisfactory in 1929 is no longer sufficient to provide for present and early future traffic needs. Many of our leading railroads were built up by consolidations and they came into possession of sections that were built without knowledge of the service demands of the 20th Century. We are optimistic about the longer term prospects for truly MODERN railways and given the opportunity, a majority of the carriers will bring their properties to a new high standard, consistent with the traffic volume of future business periods.

The growth factor in the railroad industry is not marked, and once the United States reached a fully matured industrial status, railway traffic was not destined to continue its sharp expansion, every decade, as in the past. Today, the per capita importance of the railroads is greater than was true at the turn of the Century. The rate of increase is now tapering off, but peak traffic levels have not yet been witnessed, in our opinion, and railway traffic in the future may prove surprisingly heavy. (We are not consdiering the present war-stimulated traffic volume and are looking at the peacetime trend of the 1920-1940 period.)

The questions raised in Item 3, are by their very nature, a matter of concern to all industry. It is true that war traffic is temporary and that virtually all of the oil traffic will return to tankers and pipelines. Also the Intercoastal steamship lines will again operate through the Canal and regain their customary freight volumes. Even General Motors with its present $4 billion annual operating rate is "war stimulated" and in every field of business, there is a large "war factor" which is of a temporary nature.

Railroad Competitors

All steamship rates, truck rates, etc., are now under the jurisdiction of the I. C. C. The objections recently raised by the American Trucking Association to a further suspension of 1942 railroad freight rate increases was based on a claim that higher rail rates were essential if the trucking industry was to be saved from economic disaster. Costs are going to be higher in the highway transport industry after the war and the same will of course hold for many industries. Competition will be keen, but railroads probably will not suffer as much from rate cutting by highway carriers as in the 1930s.

When the war ends, the railroads will have to again compete with the steamships operating through the Panama Canal. However, they competed before, and they can surely compete again. There was no shortage of competition in the past and there were ample capacities via the Intercoastal lines, which could have been used, if shippers had elected to ship by this route. Merely because we have thousands of ships available for the Panama Canal services after the war ends, does not mean that shippers will send their freight via the Panama Canal. In fact, we expect the Panama Canal business to hold about the same relative position in the future it enjoyed in the past.

We have pointed out many times that it is extremely doubtful if all first class rail travel will be diverted to the airlines after the war. In fact, it seems fairly obvious that until airline costs can be reduced to a level which is comparable with the railroads, any hope of building up huge volumes in either passenger or freight business is a dream.

With steel companies, utilities, trucking firms and railroads all preparing for increased prices on the commodities or services sold, we cannot take the statements of some airline executives, who say that "air fares will come down to 3¢ a mile" very seriously. Instead we would expect rail fares to rise to 4¢ or more per mile and air

transport costs will probably advance to a point where a rate of about 6¢ per mile may be necessary. Ground costs, amortization, fuel expense and labor on a ton mile or passenger mile basis, are all destined to INCREASE and not DECREASE according to realistic air transport executives.

It is true that many young people, who are the travelers of the future, are air minded. Many are also "streamlined train" conscious and anyone who has traveled in "Ocean Liner" comfort via the new streamliners will not subscribe to the idea that first class trains will cease operations. We hear a great deal about the kind of airplanes we are to have in the future, but very little about new designs for railroad trains now on the drawing boards. Streamlined trains for coach passengers will offer high speed service at very modest cost.

Due to the inflation in prices, which seems certain, former low coach fares may never prevail again, but the RELATIVE differential for bus, rail and airplanes is not likely to change. Pullman trains will have de luxe bedroom accommodations, telephone service in each berth with radio telephone connection with the Bell System. On-The-Hour departures of streamliners between New York and Chicago and 100-mile-an-hour train speeds on heavy density runs will be common. In making improvements, coach passengers, who account for 85% of passenger revenues, will not be neglected. A comparison of costs for 1943 may be of interest, and also comparisons with other years for railways and a leading air line (1944 figures are not yet available).

What About a Post-War Depression?

If a post-war depression eventuates and existing wage rates are maintained while rates remain at current levels, it should be obvious to any analyst that the entire railroad industry would be in a serious position. If the depression lasted for several years, it would be entirely probable that at least 90% of the Class I roads could not earn operating expenses! The railroads have not had many friends in Washington during the last few years but we doubt if the present Administration or the I. C. C. would, or could, countenance any such dire conditions as the above.

In such a state of affairs we would certainly not want any railroad issues. In a long post-war depression, with railroad purchasing power curtailed, steel operations at 40% of capacity, etc., what kind of prosperity would there be for Sears Roebuck, Johns Manville, Air Reduction and General Motors? If this kind of a depression came about WE WOULD NOT WANT TO HOLD SECURITIES OF ANY INDUSTRY. On the other hand, a mild depression would affect railroads and industry generally alike.

Railroad operating statistics of the last decade reveal a trend of continuous betterment in operating ratios. The efficiency attainments of the carriers are rather well known; our interest at this time is chiefly that which concerns future prospects for even more noteworthy improvement in unit costs. The latter have been reduced in consistent fashion over a long span of years and today the greatest amount of transport service per employee on record is being obtained.

Conclusion

From the foregoing facts and conclusions, we feel that the five major premises, which are usually assumed by those who are pessimistic over the railroads, are not valid. Over the immediate future, the rails will continue to play a vital part in the current war although the peak of war production has now been passed. Any decline in earning power during the first post-war year, will be offset by the operation of the carryover and carryback provisions of the Revenue Act.

TON MILE ECONOMICS (In Cents)

	1943	1942	1941	1940	1939	1938
United Air Lines—						
Rev. per ton mile	54.69c	59.40c	57.49c	60.48c	65.70c	68.71c
Cost per ton mile	49.96	51.95	55.70	58.73	63.26	75.97
Class I Railroads—						
Rev. per ton mile	0.93	0.92	0.93	0.94	0.97	0.98
Cost per ton mile	0.52	0.54	0.59	0.64	0.65	0.65

The railroads are now charging depreciation for roadway and structures and with several carriers, the total depreciation for equipment and roadway is sufficient to cover one year's fixed charges. Certain items of depreciation are deductible for income tax purposes. Where the way and structures, i.e., roadway property, or any other property is kept in efficient operating condition by renewals and relacements which are allowed to be charged as expense, then deductions for depreciation are not allowable, since such renewals and replacements offset depreciation.

Railroad executives are concerned about present maintenance appropriations which seem insufficient to provide for present wear and tear on property. However, the railroads are in good physical condition and they will emerge from the war years in far better shape than was true in World War I. With strengthened finances, reduced debt and fixed charges, freedom from reconversion worries and no risks due to contract cancellation, how many other industries have an outlook that even approaches that for the rails? When this point is considered by those investors who see record breaking industrial activity in coming years, the conclusion is inescapable that many rail equities offer excellent value at current prices for participation in the coming period of post-war prosperity.

John A. Stevenson Dies

John A. Stevenson, partner in Alfred L. Baker & Co., Chicago, died at his home of a heart ailment. Mr. Stevenson was associated with various New York banking houses after graduation from Yale University in 1906, until 1920 when he became one of the organizers of Stevenson, Perry Stacy and Co. in Chicago. He had been a member of A. L. Baker & Co. since 1928.

James N. Wright Opens Office in Pasadena

(Special to The Financial Chronicle)

PASADENA, CALIF.—James N. Wright is engaging in the securities business from offices at 1200 Armada Drive. Mr. Wright in the past was with Merrill Lynch, Pierce, Fenner & Beane, was an officer of Banks, Huntley & Co. and Griffith-Wagenseller & Durst, and was with Calvin Bullock.

Acosta Nichols Dead

Acosta Nichols, partner in the New York Stock Exchange firm of Spencer Trask & Co., 25 Broad Street, New York City, died at his home at the age of seventy-two. Mr. Nichols had been a member of Spencer Trask & Co. since 1897.

The Securities Salesman's Corner

By JOHN DUTTON

Keep the Old Customers

Last week we discussed the opportunity which now exists for opening new accounts. It is also important to keep in touch with those customers that are now on your books. There are a number of ways to keep and hold accounts but the best method is to DO A GOOD JOB FOR THEM.

However, this alone is not always enough. Good will is something that grows when it is nourished by a continuous flow of PERSONAL INTEREST. Remember, competition within the ranks of securities firms has not been too keen within the past few years, but it does exist. Everyone's customer is someone else's prospect—and the better the customer the more likely he is to be on someone's "A Preferred" list. For this reason it is necessary to do the things that keep good will and hold customers. Following are a few of the things every salesman can accomplish which should help him to hold his customers.

SELL THE RIGHT SECURITIES TO THE RIGHT PEOPLE AT THE RIGHT TIME. That means selling income securities to people who need it, "price appreciation situations" to those primarily concerned with increasing their principal, timing purchases properly, AND EDUCATING YOUR CUSTOMERS TO UNDERSTAND THE OBJECTIVE YOU ARE TRYING TO ACCOMPLISH FOR THEM. A customer who knows what he is buying, and why he is buying it, is more likely to become a loyal and steady account than one who just buys a stock or a bond, the same as he might buy another package of matches. There are many people like that—plenty of them.

SHOW CUSTOMERS A PERSONAL INTEREST IN THEIR WELFARE. Get to know your clients. If possible put your business upon a friendly basis. Help with personal problems when asked; offer to assist in any circumstances that come before you wherein you can be helpful. A luncheon invitation or a theatre invitation oftentimes does more to solidify a business relationship than a hundred sales talks. There may be some who frown upon this practice, but the only time we would agree with them is when such an invitation is not handled properly. Certainly there is a tactful way to lift a business relationship into the realm of the non-commercial when an evening is spent with customers. IF A SALESMAN PUTS THE INTEREST OF HIS CUSTOMER FIRST HE IS NATURALLY GOING TO SHOW THEM BY HIS ACTIONS AND WORDS THAT HE IS THE FELLOW THAT SHOULD HANDLE THEIR ACCOUNT. **You have to build up a storehouse of confidence in the minds of every one of your customers if you are going to do a good job for them.** Friendship is the basis of confidence, belief, and trust. What better way is there to build friendship than to show an interest in the other fellow's affairs and his welfare, or to proffer a little courtesy once in a while such as a luncheon or a theatre invitation, etc.

KEEP IN TOUCH WITH CUSTOMERS. Use the telephone once in a while to call inactive accounts, as well as regular customers. Keep people posted after they have bought a security. Let them know you are on the job looking out for their welfare. After a while it will begin to sink in. Remember, most people who have bought securities in the past have owned some stocks or bonds that went to pot, or nearly so. When they bought them they were good. The firm and salesman who originally sold them didn't keep them informed and one bright day they woke up to find out that they had a walloping big loss. Let your customers know that as long as you are doing business with them you are not only trying to help them build up principal and increase income BUT THAT YOU ARE THE POLICEMAN ON THE CORNER WHO IS READY TO BLOW THE WHISTLE IF THERE IS ANY SIGN OF DANGER AHEAD. And don't be afraid to make this point absolutely clear to your customers. Tell them that you are selling them the best securities you can find to suit their needs at this particular time, but if a change should be indicated because of conditions which may arise in the future—THAT YOU ARE GOING TO LET THEM KNOW ABOUT IT SO THAT THEY CAN PROTECT THEIR PORTFOLIO AGAINST LARGE LOSSES.

USE THE MAILS. Watch the news sections of the papers, and mail out the items which deal with general economic and political factors which may have an effect upon individual holdings as well as those which deal directly with particular situations. Clip items from the financial publications, attach a short note and a friendly greeting, give it the personal touch. Fifteen minutes a day spent with the scissors and a few stamped envelopes can pay big dividends.

Do these things and back it up with performance and your business will not only stick to you but it will grow. The customers you now have because they believe in you and the securities you are selling CAN BE THE SOURCE OF SO MUCH NEW BUSINESS THAT PROSPECTING FOR NEW ACCOUNTS CAN BECOME A SIMPLIFIED PROCEDURE. **Your old customers will bring you new business** (all you can handle) if you do the things that convince them that their friends should also do business with you. Just treat them right and show them that you mean it when you say to them, "Your interest and your welfare comes first with me!"

The Economic and Political Consequences Of Lord Keynes' Theories

(Continued from first page)

man who were to defend the return to the gold standard would jeopardize his political future. What is the explanation of this strange phenomenon? We shall endeavor to demonstrate that the English people are victims of a serious misunderstanding the repercussions of which could be quite far-reaching, both to themselves and to the rest of the world.

It may not be amiss to begin by stating what is meant by an international money standard, whether it be based on gold or any other commodity having a value of its own. **The essential characteristic of such a standard is that currencies are fixed in relation to one another and that they are freely interconvertible.** Gold has been adopted as a monetary standard simply because it constitutes a monetary reserve enjoying universal acceptance.

The Misunderstanding

The man in the street in England was led to believe:

1. that the return to the gold standard in 1925 was a mistake and responsible for unemployment in England until it was abandoned;

2. that the depression of 1929 was likewise due to the gold standard;

3. that the relative prosperity in England after 1932 must be attributed to the fact that the pound-sterling was off the gold standard.

Add to this that financial circles in England considered the forced abandonment of the gold standard in September, 1931, as a sort of national defeat, and the complex which developed there with respect to the gold standard is easily understood.

I wish to show that the aforementioned three propositions are erroneous. Phenomena are attributed to the gold standard for which it was not responsible simply because its adoption preceded them in time. It may even be asserted that the depression of 1929 was, to a large extent, due to the application of ideas championed by Lord Keynes in 1923-1924.

Keynes Theories in 1923-24

In 1923, Lord Keynes wrote that the problem of monetary stabilization presented three preliminary aspects and questions:

1. Should the pound-sterling be brought back to the prewar level or should it be devaluated at the approximate level which it reached at the time?

2. What should be the objective of the monetary policy: the stability of the foreign exchanges or the stability of prices?

3. In the light of the replies given to the foregoing two questions, was the return to the gold standard the best means to attain the objectives contemplated?

To these three questions, Lord Keynes answered:

1. that it would be preferable to devaluate the pound-sterling rather than submit English economy to deflationary readjustments which would be necessary if it were decided to bring the pound-sterling up to pre-war level;

2. that the stability of national prices, if it could be obtained, would be preferable to the stability of foreign exchange. Lord Keynes wrote that the argument in favor of foreign exchange stability was that it could be more easily carried out. He stated that the stability of foreign exchange was but a useful convenience to those engaged in foreign business;

3. he argued against a return to the gold standard for the following reasons:

(a) the intrinsic value of gold—or its purchasing power—is subject to considerable variations;

(b) currencies and credit are in fact, in modern times, "managed" by the Central Banks, with the result that the very value of gold is dependent upon the policies of these banks;

(c) the distribution of gold in the world is such that the English price level and even the economic activity in England would be at the mercy of decisions made by the Federal Reserve Banks of the United States.

Lord Keynes recommended that England adopt a monetary policy aiming at the maintenance of as stable a price level as possible. **And he emphasized his thought by stating that if ever the United States should fail to maintain the stability of dollar prices, Britain should not permit sterling prices to drop for the simple purpose of preserving fixed foreign exchange rates.**

It will be remembered that England in 1925 decided to return to the gold standard and gradually brought the pound sterling back to the pre-war level, to abandon it again under the pressure of developments in September, 1931.

The question which should be answered without ambiguity—because it is the basis of erroneous ideas of the English people as regards the gold standard—is whether Lord Keynes was right or wrong in 1923 and whether England made a mistake in 1925 by returning to the gold standard and bringing the pound back to par. In calling upon the ideas of Lord Keynes, it is important to state in what year he defended them because his doctrines changed in time.

Britain's Return to the Gold Standard in 1925

Let us first examine the question of the return to the gold standard. At the time, Lord Keynes blamed gold particularly for its change in purchasing power, and he suggested a monetary policy which aimed at obtaining stable prices. In point of fact, dollar prices were remarkably stable between 1925 and 1929, thanks chiefly to a policy suggested at the time by Lord Keynes, i.e., the inflation of credits. **Prices were so stable that numerous economists, amongst whom, Lord Keynes himself (see "A Treatise on Money," II, page 190) denied that the United States was the theater of a pernicious inflation,** due precisely to its monetary policy and to the stability of prices obtained, thanks to said policy. The explanation which Lord Keynes gave in 1930 of the depression of 1929 is based on his monetary theory relative to the influence of interest rates on investments; it does not withstand a critical examination. The depression of 1929 is dealt with separately below, because a correct diagnosis of this world catastrophe is of the highest importance. What matters for the present state of our discussion is that dollar prices were maintained remarkably stable between 1925 and 1929, for, according to the theories of Keynes at that time, the stability of prices should be the essential objective of any monetary policy. In 1927, the American Congress ordered an investigation as regards the possibility of controlling price levels. The Governor of the Federal Reserve Board, Benjamin Strong, made the following declaration: "I personally believe that since the decline of 1921, the policy of the Federal Reserve Banks has been directed, in so far as human wisdom permits such direction, to that end (to stabilize price levels)."

In "A Treatise on Money," published by Keynes in 1930, he stated that he had become skeptical concerning the possibility of controlling price levels in a permanent manner by a credit policy of the Central Banks. Unfortunately, the catastrophe of 1929 had already engulfed us.

The developments from 1925 to 1929 have in no way justified the prediction of fatal consequences which were to follow for England because of her returning to the gold standard; besides dollar prices had remained remarkably stable during that period. **Much to the contrary, as I shall endeavor to show below, it was because the theories of Keynes relative to the stability of prices were followed, that the depression of 1929 was so far-reaching and serious in its consequences.**

Was the Pound Overvalued in 1925?

In discussing the English situation from 1925 to 1929, the detractors of the stability of foreign exchange have the bad habit of confusing the return to the gold standard with the return to pre-war gold parity, with the result that they overwhelm the principle of the stability of foreign exchange with all the supposed evils which the selection of too high a parity has implied.

As the reader will be able to realize after having read the chapter concerning the causes of the depression of 1929, I could dispense with discussing the issue whether England had not shown pride by bringing back in 1925 the pound to pre-war par, i.e., $4.86, instead of fixing it at $4.40, the rate insistently recommended by Keynes in 1924, but I decided not to avoid the issue because some useful lessons can be drawn from the discussion thereof. The question is extremely complex and very controversial. I am fully aware of the reasons advanced against the return of the pound to pre-war par. These arguments are supported even by numerous advocates of England's return to the gold standard in 1925. However, for reasons which I am giving further on, I do not share their views. Keynes fought in 1925 against adoption of too high a foreign exchange rate, claiming that national price levels and the level of wages were too high as compared with world prices; he declared himself in favor of a foreign exchange rate of $4.40, instead of $4.86. His reasoning was that the effect of a high rate of exchange is to lower the prices in national currency of exports and imports, with the result that importations would be favored at the expense of exports, and that England would be compelled to maintain high money rates. Wages and national price levels could be readjusted, he wrote, only by a higher rate of interest and a policy of credit restriction. These means to readjust wages and prices, Lord Keynes added, could produce the desired result only by intensifying unemployment.

In examining the progress of developments, Hawtrey regrets, as does Keynes, that England had been compelled to maintain a high discount rate for almost the entire period from 1925 to 1929. He stated, however, his doubts as to whether the return of the pound sterling to par caused English cost prices to be excessive as compared with world prices. Furthermore, he is skeptical that non-employment would have been less in England if the purchasing power of the pound sterling had been lower. Beveridge in his recently issued book, "Full Employment in a Free So-

ciety," raises the problem of why unemployment in Britain during the period between the two wars was so much more severe than anything experienced before. His answer is that the unemployment was due, to a large measure, to a secular falling-off of the overseas demand for British products.

It cannot be denied that the return of the pound sterling to par rendered the exportation of English goods more difficult and that the under-valuation of the French franc at the time increased England's difficulties considerably. Yet, the volume of English exports increased each year between 1926 and 1929; if the exportation of coal and other products did not increase during that period, this was not due to monetary causes. There is no doubt that the increase of English exports between 1926 and 1929 was due to the American monetary policy of that period and the concomitant ill-fated prosperity era. I also hold the view that the under-valuation of the franc between 1924 and 1928 and its aftermath was more damaging to British exports than the pound rate at $4.40.

Moreover, the return of the pound sterling to par had another result, beneficial for England, which is not usually mentioned in discussing the monetary policy of that country in 1925. The fact is that between 1924 and 1929, the volume of English imports had increased by 14% and their cost had dropped from 1,138 million pounds in 1924 to 1,111 million pounds in 1929. Thanks to the prices at which England was able to buy its importations, the general cost of living has decreased substantially. The real wages were higher between 1926 and 1929 than at any other time since 1900. I also suspect that at least part of the general improvement in England from 1932 to 1938 was due to whatever measure of deflation England had been able to accomplish between 1924 and 1927.

It is not without interest to note that even nominal wages rose between 1925 and 1928, at least in the industries which were not affected by cronic unemployment, such as coal or textiles which suffered from well known reasons having no relation at all to the monetary policy.

The discount rate in England was relatively high between 1925 and 1929 but hardly ever more than ½ to 1% over the New York rate. It is well to bear in mind the fact that during this period England granted short and long-term loans abroad. Money at the time was comparatively dear the world over, on one hand because of the destruction of capital during the war and on the other because of the great economic and speculative activity between 1919 and 1929, which was fed by credit expansion.

The Advantages of the $4.86 Rate in 1925

What would have been for England the advantages of a pound sterling at $4.40 instead of at $4.86 between 1925 and 1929? Keynes' argument against the return to par was that this would compel England to maintain a high discount rate which would result in credit restriction and unemployment. But whatever may be the merits of Keynes' theory concerning the relationship between unemployment and interest rate, is he quite certain that with the pound sterling at $4.40 money rates in England would have been lower and that this level of the pound sterling might not have resulted in other unavoidable inconveniences?

It is, I think, an undeniable fact that with the pound sterling at $4.40, English exports would have been easier, at least for some time. Admitting that the volume of exports would have been greater, by the same token, the volume and the cost of imports would likewise have been larger. In these circumstances, is it certain that the English balance of payments would have been more favorable? Past experience does not support this view.

(Mr. Robert Wolff, and others after him, has maintained in "Revue d'Economie Politique," Paris, 1934, and in his book entitled "Finances de la France, Passe at Avenir," New York, 1943, that in peacetime, English prices in pounds sterling are the same as world market prices and that, consequently, prices of English imports would not have risen if the pound sterling had been fixed at $4.40 instead of $4.86. I believe that his theory is verified by experience only when the United States is undergoing a depression, as was the case between 1931 and 1935, but that it no longer holds good when the United States is prosperous and heavy buyers of raw materials, as was the case between 1925 and 1929. Moreover, invisible exports and investments abroad fixed in pound sterling were considerable at that time and their actual value in goods all the greater as the pound sterling rate was higher.) But let us admit, to please Lord Keynes, that the balance of payments would have been larger. It was hardly in the tradition of the Bank of England to accumulate monetary reserves in the shape of gold. The most probable result even in said favorable hypothesis would undoubtedly have been larger long-term investments abroad, and, at any rate, the contagion of the American aberration at the time would have compelled England to maintain a high rate of discount. The pound sterling at $4.40 would, moreover, have added fuel to the rampant inflation, wages and prices in England would have been much higher, and she would very likely have compromised a great many of the factors which contributed to the general economic improvement in England after 1932.

1929

To what does Lord Keynes attribute the depression of 1929 in England? When he wrote "A Treatise on Money" in 1930, the cause of the depression, according to him, was and remains the gold standard and its adoption by England in 1925 with the pound sterling at pre-war par. But how does he justify this diagnosis since dollar prices were stable between 1925 and 1929? The answer to this is that in the meantime (between 1925 and 1930) Lord Keynes set up his new monetary theory concerning the influence of interest rates on investments, which, according to him, furnishes a satisfactory explanation of the catastrophe of 1929. In the opinion of Lord Keynes, the depression in the United States was chiefly due to dear money which the Federal Reserve Banks had instituted to strangle speculation. In England, it was the high level of the pound sterling which prompted the Bank of England to maintain high discount rates. Furthermore, most of the other currencies having returned to the gold standard, a credit stringency was created. To sum up, according to Lord Keynes, the fact that long-term interest rates were too high explains the drop in profits and the tendency toward lower prices, and the international gold standard is responsible for the monetary policy of the Central Banks.

In 1936, Lord Keynes published "The General Theory of Employment, Interest and Money." In the Preface, he states that he has been led to change some of the theories which he propounded in "A Treatise on Money" 1930. One of the important changes is that which concerns the interest rates. Lord Keynes states in "The General Theory" that he has become sceptical regarding the possibility of influencing the long-term interest rate by a monetary policy of the Central Banks. He continues to believe that the interest rate is an important factor, though non-decisive, determining the volume of investments, but he is convinced that unemployment can be remedied only by "managing" all at once, the rate of interest, savings and investments. There is nothing surprising about this conclusion because his philosophy and his theories inevitably led him there. It's time to come down to earth!

The diagnosis of the depression of 1929 which follows and which, to my way of thinking has most merit, will help the reader realize that Lord Keynes is the victim of his own theories and the English people the victim of misunderstandings and prejudices.

Was the Depression of 1929 Avoidable?

If it were shown that the depression in America and the world depression of 1929 had become unavoidable, not because of the English monetary policy, but as a result of the war and the credit policy of the United States after 1921, all arguments on which Great Britain's fear of the gold standard is based would be devoid of their substance. I am of the opinion that this thesis can be supported by facts. The assertion can even be made, and one should not hesitate to do so, that after 1918, the inability of the United States to regain conditions which would assure it a domestic economic equilibrium contributed to the economic and monetary instability in the rest of the world. (This situation was not remedied when world war II broke out.) The policy recommended by certain Englishmen, amongst them, at a certain time, Lord Keynes, which consists of isolating England from American economic fluctuations, is like the man who would throw himself into the water to avoid the rain. It is high time to abandon the solutions of isolationists in all spheres of human endeavor if the world is to be given chances of a peace as durable as possible.

Diagnosis of the 1929 Depression

Between 1922 and 1929, the level of gold dollar prices was remarkably stable with a slight tendency towards lower prices after 1925. This level, however, was about 50% higher than before 1914. In making this statement, a few questions appear pertinent, yet they are rarely asked (an honorable exception being Mr. Charles Rist). Was this level of gold prices normal? If the answer is negative, how then was it maintained until 1929? Could the price collapse have been avoided, and if so, by what means?

During the war, the great majority of the belligerent countries, and even neutral ones, covered their financial requirements either by issuing paper money or by compelling the banks to extend them non-convertible credits. This monetary avalanche and the war expenses resulted in considerably rising prices. The dollar was the only currency which remained on the gold standard almost without interruption, thanks to the influx of gold from other belligerent countries during the war, and because, after termination of the war, the large Central Banks of Europe whose paper money had depreciated, refused to change their pre-war gold purchase prices. Under these conditions, gold had a tendency to accumulate in the United States and dollar prices were equivalent to gold prices.

After the war, the requirements of the entire world for all kinds of merchandise had to be satisfied, and the United States was equipped to furnish a great portion thereof. United States economy, not being subjected to any sort of control, a considerable rise in prices ensued, which was followed by a drastic fall in 1920-1921. At the end of this period, dollar prices remained at a level about 50% higher than before the war. From that time on, as testified by Mr. Benjamin Strong, the Federal Reserve Banks pursued a managed credit expansion policy in order to maintain prices and economic activity. The expansion of the automobile industry and the building industry sustained and gave impetus to the industrial activity of the United States.

The Fruits of Credit Inflation

Between 1914 and 1920 the aggregate sum of salaries and wages in the United States increased from $18,500 million to $42,300 million, and in 1927 it reached $51,300 million. This increase was justified on one hand by the rise in prices and on the other by a higher productivity of American industry. However, it resulted in an unbalanced income structure within the entire nation and more particularly between the industrial class and the agricultural class, the latter representing 20% of the population. The national income rose from $36 billion in 1914 to $88 billion in 1927, while the agricultural income progressed only from $5 billion to $8 billion. It is even likely that this period witnessed other disparities in wages and income between the various categories of workmen and employees, according to the more or less prosperous state of the respective industries. Wages rose particularly in those industries in which production could be increased through technological progress and, interesting to note, which could also benefit from the expansion of credits, either directly or through the medium of the Stock Exchange. For the understanding of our analysis, it is essential to realize that these developments would not have been possible without the expansion of credit which took place chiefly in the United States, and that this resulted in a profound economic and social unbalance.

Between 1920 and 1929, the United States issued securities representing fresh investments in the amount of $70 billion (of which $10 billion were foreign loans). Bank deposits (the counterpart of the loans granted or investments made by the banks) rose from $18 billion in 1914 to $32 billion in 1918 and to $58 billion in 1929.

In spite of the high wages, the privileged industries made enormous profits, because prices remained high after the war and because, thanks to technical progress and investments, productivity per workman had substantially increased. The result was a boom in securities and speculative profits made on the Stock Exchange which constituted a substantial purchasing power diverted principally to the purchase of luxury articles. Between 1919 and 1929, profits made from the stock boom amounted close to $24 billion, $17,500 billion of which were between 1925 and 1929. Thus, the expansion of credits sustained the level of high prices and wages, permitting industry to make large profits, thereby sustaining an indefinite speculation and rise of securities which in turn provided consumption of luxury articles and fostered economic activity in general.

It was also the expansion of credits which permitted the United States to make large loans abroad (about $10 billion between 1921 and 1929) and in so doing, to export more than it imported, in spite of the fact that the United States had become a creditor country.

The financing of purchases on the installment plan had taken on large proportions, again due to the expansion of credits.

Private debts (mortgage debts, etc.) increased from $33 billion in 1913 to $84 billion in 1929, and the aggregate debt of the United States amounted to $143 billion in 1929 as against $50 billion in 1913.

Furthermore, the Stock Exchange boom and the speculative fever prevailing in the United States attracted in 1928 and 1929 large capital from Paris, London, Brussels, Amsterdam and Switzerland. This emigration of capital had serious direct repercussions on these financial centers, and indirect ones on the rest of the world.

In weighing, in 1929, the relationship between causes and effects which had created the extraordinary situation existing at

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The Economic and Political Consequences of Lord Keynes' Theories

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the time in the United States, one arrived at the conclusion, really not commonplace, that the vicious and infernal circle that had developed could be broken only by a depression.

In 1929, the Federal Reserve Banks increased the discount rate sharply in order to put brakes on the impetus of speculation. Keynes, Hawtrey and other economists shared, at a certain time, the opinion that the restriction of credits effected in 1929 by the Federal Reserve Banks was responsible for the depression. This opinion is based on the illusion of some people that it is within the power of the Central Banks to maintain a level of prices through credit operations, and on a confusion of others between money and credit. **For about ten years a high price level had been successfully maintained, thanks to the indirect effects of a policy of credit expansion which delayed readjustments that had become necessary because of the end of the war and the end of issuing paper money.** To believe that the depression of 1929, after the preceding extravagant boom, could have been avoided by an appropriate policy of the Central Banks is equivalent to imagining that the boom of 1929 could have been perpetuated with the help of credit, thus maintaining the price level.

Another factor is very significant in order to comprehend the phenomena of that time. European industrial production, and more particularly, her agricultural production, after 1925, had gradually resumed its normal progression, and competition between American and European production began to weigh on prices. As we have said above, the international accounts of the United States were balanced by means of credit granted chiefly to Europe. However, speculation and the stock market boom not only attracted to New York profit-seeking European capital, but they absorbed the interest and ready cash of the American public and, therefore, after 1928, a decline in American investments in Europe followed.

Could the depression of 1929 and the concomitant fall in prices have been prevented? Undoubtedly, a decline in prices may be counteracted, but we should not conceal the nature of the means which would have been necessary at that time. These means would have consisted of enormous Government expenses financed by the banks, thus putting into the hands of the consumers an artificially created purchasing power (deficit spending). Lord Keynes became skeptical regarding the possibility of controlling a price level through the intervention of the Central Banks. He later concluded that a perpetual boom could be obtained only by "managing" at once the rate of interest, savings, investments and human nature—in other terms, by a mixture of persuasion, coercion and deficits.

In the light of the above analysis, what is then the share of responsibility of the gold standard? If our diagnosis of the depression of 1929 is correct, the conclusion is that the responsibility of the Gold Standard for the depression of 1929 is nil or practically so. It is true that the return to the gold standard of almost all countries after 1924 and the complete stoppage of issuance of paper money and deficit financing created a tendency toward higher money rates. This, however, has been offset and more so by the credit policy of the Federal Reserve Banks on one hand and by the gold exchange standard, adopted particularly in France, on the other. (The gold exchange standard made possible the accounting of currencies convertible into gold as being equal to gold; in other words, it made currencies convertible into gold serve as a basis for the issuance of another currency.) The mal-distribution of gold has often been invoked as an argument against the international gold standard. It should be clear, however, that maldistribution is, in the first instance, an effect and not a cause. England at that time certainly had too small a share of the world reserve of gold. The responsibility for this maldistribution is, however, to be ascribed to the policies of England herself and to the under-valuation of the franc between 1924 and 1928.

Another question might be pertinent. Had Great Britain not returned to the gold standard in 1925, could she have escaped the consequences of the American depression of 1929? In my opinion, an affirmative answer is tantamount to ignoring both the conditions of the British economic and financial equilibrium as well as the nature of the depression of 1929; **it is an undeniable fact that England's fate is powerfully affected by the world's price movements.** In 1931, R. H. Brand, one of Great Britain's delegates to the recent conference at Bretton Woods, made the following declaration, among others: "Even if we had had normal conditions in the rest of the world, a depression and a collapse like those which took place in the United States would have produced anyway a world depression as has been the case in 1907 and at other periods."

The Recovery of England After 1932

On September 21st, 1931, England was compelled to abandon the gold standard. The forced abandonment of the gold standard was the result of considerable and ill-advised loans extended by England to Europe, the expansion of which was to a large extent facilitated by the gold exchange standard.

After 1930, the experts advocated a monetary policy conducive to a world wide rise of prices. Whether this recommendation is one which could have been realized in practice at that time, is doubtful. I therefore share the view that the sharp fall in prices of raw materials, the internal indebtedness of some large states, the external indebtedness of the small states and of the states reputed to be poor, as well as the high wages in privileged industries, would have in any case brought about the devaluation of the pound sterling in relation to gold (and following this, that of the dollar).

There is a general belief that after the Depression of 1929, the economic recovery in England began in 1932; that is to say, shortly after Great Britain went off the gold standard. This belief is challenged by Sir William Beveridge in his last book, previously mentioned. He therein emphatically asserts that the early recovery of British export industries from the great depression was not due to the departure of Britain from the gold standard in September, 1931. Sir Beveridge further states that a detailed examination of the cause of cyclical fluctuations, quarter by quarter, in the export industries shows that recovery had begun before Britain left the gold standard.

Whether the recovery in England began in 1932 or earlier, the fact is that the enemies of the gold standard have ascribed this recovery to the pound sterling being divorced from gold. I hold this opinion as being completely unfounded. Had the United States devaluated the dollar immediately after the devaluation of the pound sterling, and had the two currencies returned to the gold standard on new parities acceptable to the two countries, it is more than likely that England would have enjoyed an economic recovery at least as great or probably greater than that which took place between 1932 and 1937. The United States on its side, would have spared itself the most disastrous part of the depression after the autumn of 1931 and the world would have probably been spared a lot of other troubles. Unfortunately, destiny decided otherwise.

The economic recovery in England from 1932 to 1937 was not due to the fact that England was off the gold standard. It was due to a well-known combination of circumstances. When England went off the gold standard, the American depression followed its course toward the abyss, and the drop of gold prices continued the world over. Due to this situation, the devaluation of the pound sterling did not entail a rise of prices in England. The cost of living in England went down sharply owing to the decline in the cost of her imports. This left in the hands of the English population additional purchasing power which it could use either for consumption or for saving. At that time, England also instituted tariffs on imports which provided for profitable investments in industries thus protected. The interest rates dropped because of the world wide depression and because the available amount of gold in the world was more than sufficient for the monetary requirements of the countries on the gold standard at the level at which prices had fallen; in addition, the production of gold began to increase. The Hindus, in order to realize profits resulting from the devaluation of the pound sterling, sold about £400 million of gold which they had previously accumulated. The interest rate became low mainly as a result of the American and the world depression. The building industry witnessed a great activity in England sustained by mortgage companies, and frequently helped along by the Government. The Bank of England the Government cooperated in order to maintain cheap money rates and the English debt was converted, thus effecting a saving of £90 million per year in the interest budget of the public debt. I do share, however, the opinion of Fred Benham (see "Great Britain Under Protection") of Walter A. Morton ("British Finances 1930-1940") and of Fred Conolly (in the Svenske Handelsbanken's Index 1939) that the policy of cheap money played a secondary part in the English recovery from 1932 to 1937. Significantly, unemployment in England amounted to 1,178,000 in 1929, 2,920,000 in 1932, 1,660,000 in 1936 and 1,773,000 in 1937. Unemployment in Great Britain between the two wars is mainly attributed to the depression in her export industries. Furthermore, the tariffs put on imports after 1932 prevented the purchase of semi-finished raw materials, which England was accustomed to transform into finished products for export.

It is worth while to fix our attention a little longer on the doctrine of low rates of interest, because theoretically, it is in the name of this dogma that the fight against the stability of foreign exchanges is conducted.

It may be stated as a sort of axiom that any specious theory is dangerous only if it contains a part of truth or if it is accepted as a result of an historic legend or myth. Lord Keynes' theories are dangerous because they contain a part of truth. It is merely a truism that, all other things being equal, monetary abundance and cheap money facilitate economic activity. This truism becomes even more valid if it is added that monetary abundance and cheap money are necessary but not sufficient conditions of a prosperous economy. In fact, Lord Keynes endeavors to realize his "ideal social republic" by means of the mechanisms of capitalism. It seems to me, however, fool-hardy to plunge the world into hazardous monetary experiments in the name of theories which are not justified by experience and which may be disputed on rational grounds. A series of articles recently published by the "Economist" and to which I referred in the beginning, comes just in time to shatter certain illusions and false ideas.

A Policy for Wealth

Such is the title of a new series of articles which has just been published in "The Economist." It points out a real danger and makes a strong appeal to the initiative of English statesmen.

What is the substance of these articles? "The Economist" states that a number of promises have already been made to the people which England will be unable to fulfill, unless industrial productivity and general economic activity increase considerably.

The essential, primary and sine qua non condition of the increase in production, says "The Economist", is to increase and improve productive equipment. The publication presents this truth in the form of an equation: horse power per head=wealth per head. It emphasizes that only through savings can England hope and expect to increase her industrial equipment.

There is nothing startling or new so far, except to those who believe that industry is saturated with capital and that there are no other further paying investments; in other words, savings are excessive, useless and even harmful.

The new and bold recommendation made by "The Economist" which is related to the theory of the rate of interest is: "Non-productive forms of capital, no matter how necessary, (among which the publication mentions housing should not be permitted to absorb more than an equitable portion of the available saving." Moreover, capital should be induced to assume risks by the prospects of making profits and by an appropriate tax policy.

In examining investments made in England in 1938, "The Economist" finds that out of a total of £305 million, the largest part, i.e. £255 million, has been used in the building of homes. The publica-

tion adds that in 1938 the nation spent not quite 3% of its national income for the improvement and the enlargement of its productive equipment. If preceding generations had not accumulated the industrial equipment which England is now using, states "The Economist," the national income would be less than a quarter of its present amount.

However, if housing and some other industrial activities may be stimulated by cheap money, it is evident that venturesome investment capital, such as is necessary in industrial enterprises, will assume risks only if the prospects of making profits outweigh the risks of loss, and only if there is a certain psychological and political climate, the principal element of which is **confidence**. One is justified in wondering whether the propounders of the new theories regarding rates of interest and exchange instability are grasping the full meaning of the word **confidence**. Suffice it to say, stability of currency is one of its conditions and confidence is incompatible with "experiments" of the kind with which some doctrinaires mean to gratify the world.

It is vital to realize the aims of the "experiments" which are proposed to us and in the name of which the fight against stability of exchange and the gold standard is conducted.

Stripped of nebulous ideas or complicated theories, the Keynesian school purports to cure the economic evils from which the world is suffering, by means of monetary inflation. The detractors of the gold standard do not like the word "monetary inflation" and are using instead the euphemism "monetary expansion" or the more subtle "theory of deficit-spending." The monetary inflationists are perfectly aware that their experiments can only end either in economic self-sufficiency or in continual devaluation of currencies. Either one of these results is fatal because they lead to economic nationalism or economic and monetary war.

Is Lord Keynes Reconverting to Internationalism?

Lord Keynes, during the month of May, 1944, made, before the House of Lords, the following statement, inter alias: "When this period is over and we are again strong enough to live year by year on our own resources, we can look forward to trading in a world of national currencies which are inter-convertible. For a great commercial nation like ourselves, this is indispensable for full prosperity. Sterling itself, in due course, must obviously become, once again, generally convertible. For, without this, London must necessarily lose its international position, and the arrangements in particular of the Sterling Area would fall to pieces. To suppose that a system of bilateral and barter agreements, with no one who owns sterling knowing just what he can do with it—to suppose that this is the best way of encouraging the Dominions to center their financial systems on London, seems to me pretty near frenzy . . . But those who talk in this way, in the expectation that the rest of the Commonwealth will thrown in their lot on these lines and cut their free commercial relations with the rest of the world, can have very little idea how this Empire has grown or by what means it can be sustained."

No one, I think, will deny the soundness of this statement. Unfortunately Lord Keynes, in the same speech, deemed it politically advisable to reassure the House of Lords of his attachment to his doctrines of the past, relative to gold and interest rates. It seems to me that there is incompatibility and contradiction between his doctrines of the past and the statement which has just been quoted. How can one explain such a contradictory statement on the part of a man as intelligent as Lord Keynes? The answer seems to be that this extraordinary man is a mixture of statesman and economist for whom monetary and economic doctrines must be political instruments of the art of governing men. As a matter of fact, I suspect that Lord Keynes is beginning to be skeptical regarding the merits of some of his doctrines, and the above-mentioned statement bears out, I think, the impression that he is reconverting to internationalism. **There is no country which can afford less than Great Britain to apply the former theories of Lord Keynes.** His great intelligence permits him to change his opinions and actions whenever he feels a change compelling. Unfortunately, the same cannot be said of certain of his disciples. Their attitude is dangerous because Lord Keynes, presently advisor to his Majesty's Government, is no longer free to speak as clearly as he used to in the capacity of economist without public responsibilities. The English people, right down to the man in the street, were so much persuaded that the gold standard was enemy No. 1 of England that Paul Einzig wrote recently in the "Daily Express" the following: "Politically, it would now be impossible to openly go back to the gold standard." In the House of Commons, the Minister of Finance was recently prompted to make the statement that the British government would vehemently oppose a return to the gold standard. And yet, should international cooperation again become a living reality and should economic life again be based on private enterprise, Lord Keynes will have to renounce, to a large extent, his doctrines relative to foreign exchange and interest rate.

Caveant Consules!

Humanity is confronted with numerous complex and vexing problems. None appears so difficult to solve as harmony among nations. On the other hand, no issue requires more vigilance than the defense of our liberties and our dignity as men. Evil forces are lying in wait, very often behind a charming and smiling mask. There are many among us who either willingly or unwittingly are ready to sacrifice our liberties in exchange for precarious security, for a piece of bread or for the greedy accumulation of wealth.

The masses have legitimate aspirations which we should endeavor to fulfill. Economic problems have their disturbing aspects and contradictions which we should strive to solve. At no price, however, should we sacrifice our liberties. Unfortunately, the study of economic and monetary questions is too often neglected by statesmen. Yet, all should be made to realize that the institutions or instruments which we choose to achieve certain of our economic and social goals may lead to the destruction of the most essential and most dearly acquired human values.

Above all, it is necessary to war on economic nationalism. One of its most diabolic instruments is the control of foreign exchange. All monetary agreements or projects not aiming at the free inter-convertibility of the currencies and freedom of the movement of capital after as short a transition period as possible, should be rejected. With the help of the international gold standard, stable commercial relations should be re-established since there is no other standard acceptable to all nations. There are some who seem to blame the gold standard for not having corrected all the errors and abuses of mankind. That's asking too much of it. The lessons of the recent past should permit us, though slowly, to determine the position of equilibrium between prices, national budgets and the different rates of currencies, and thus spare us a repetition of painful and dangerous experiences.

It is vital to enlighten and educate the American people as to their responsibilities, and to make them aware of the economic realities on which depend the prosperity of the world and perhaps, peace. In the United States the number is constantly growing of those who realize that a strong and prosperous Great Britain is useful to the world and more particularly, to the United States. It also becomes more clearly understood that this will require important material sacrifices and many Americans are willing to cooperate without any mental reservations. It becomes, however, equally vital to invite our English friends to educate or re-educate their countrymen in order to free them of their fear of the gold standard.

There is no doubt that Great Britain will need, after the war, the financial assistance of the United States. As Mr. Winthrop Aldrich has pointed out in his speech before the Executives' Club at Chicago, September, 1944, the sum needed may be a large one. If the United States is to help at all, it would be better business for it to make as large a "grant-in-aid" as may be necessary to enable Great Britain to abandon exchange-control, but with the proviso that Great Britain underwrite again economic liberalism and exchange stability.

Unity of purpose and loyal cooperation between the United States and Great Britain are essential if the western civilization and democracy are to be saved.

"Avoid A Whisper About A Chinese Wall of Seclusion"

Says JOHN L. ROWE

Reader Contends That Our Foreign Trade Means Difference Between Profit and Loss to Domestic Industry. Warns Against Return to Rigid Gold Standard, and Says the War Debts Cannot Possibly Be Paid Unless We Mean to Harness the Labor of Generations Still Unborn. Takes Issue With Mr. John Abbink.

Editor, Commercial and Financial Chronicle:

The address by Mr. John Abbink before the American Management Association at the Waldorf-Astoria Hotel on Jan. 5, 1945 carries one very significant passage on which I should like to comment.

Said Mr. Abbink: "I have been asked frequently, of late, whether export markets are really necessary for the United States. Couldn't we get along, the query goes, without becoming involved beyond our borders, once we have made the readjustment to peacetime conditions?

"My answer, hesitantly given because I am not sure, is yes, perhaps we could if we are ready and willing to face the inevitable consequences. There are a few things we do not produce, agricultural, mineral and scattered industrial specialties, that we could probably bargain for over a Chinese Wall of seclusion, giving in exchange commodities that we could supply from our abundance."

It is difficult to reconcile Mr. Abbink's "hesitant yes" to recent historical background. As I read the remaining paragraphs, I, too, had misgivings as to whether he actually meant his "hesitant yes".

In 1930 when the Hawley-Smoot Tariff was enacted, I wrote a manuscript called "Deflation—What it Means to the Businessman and Investor." I concluded that as a result of this legislation our citizenry would be compelled to live like the fabled "Kilkenny cats." I estimated that national income, which in 1930 was above the eighty billion dollar level, would decline to levels of 1912-1913, which, if memory serves me, was about thirty-five billion dollars. I needn't remind your readers that our national income receded to just above the forty billion dollar level in 1932-'33.

During the debates preceding the enactment of the Hawley-Smoot legislation, the people were told through press and magazine that since foreign trade represented not to exceed ten per cent of national income, it was unimportant. The ten per cent assertion was correct, but my contention then and my contention now is that the ten per cent of national income represented by foreign trade will always be the difference between profit and loss to domestic industry. It is the cushion which supports full employment at home and full employment abroad. In other words, take away this ten per cent and you take away more than the profit from industry.

The tragic events that followed enactment of the Hawley-Smoot Tariff prove this point. Few corporations showed black ink in the years 1931-'32. Business failures were appalling! Unemployment was increasing by leaps and bounds! Our industrial machine, geared to support a half-billion consumers or more, was brought to almost a stand-still in 1932. Foreign commerce had virtually ceased. As a result, even domestic trade was being plagued by embargoes on goods for shipment in interstate commerce. Now, relate these events of 1930-'33 to present-day conditions. In the light of recent history, can we face the inevitable consequences which another Chinese Wall implies? I say emphatically, "No!"

The point to remember is that all through the terrible depression of the 'thirties, there was never any doubt, even concern about Federal credit. True, enormous pyramided industrial empires collapsed like ten pins in the bowling alley. A good many individual investors who thought their paper wealth was permanent found they were living on quicksand. But the credit and currency of the United States was never questioned.

Now, what has happened in the intervening years since 1930? Is the fiscal health of our nation actually any better now than in 1929 or 1932? I don't think so! In the last decade we have simply transferred the debt from political subdivisions, the individual and the state onto the strong back of Uncle Sam. By our past yardstick, private debt has been virtually extinguished. But Federal debt has soared to unprecedented heights!

Let us assume that we would dare erect another Chinese Wall of seclusion as various pressure groups urged during the late 'twenties. With the insatiable demand for peacetime goods filled, what then? The national income would once again commence its downward spiral. Taxes to support our enormous Federal debt and our expanded Federal bureaus would surely become untenable. Unemployment would rise. Labor would become restless. Private capital would seek refuge. Business would gradually stagnate. With the Federal debt about $300,000,000,000 instead of $26,000,000,000, where now is the line of least resistance?

Could our political leadership resist the temptation which is always available to a profligate government? "The surest way to destroy a capitalistic system is to debauch the currency," said Soviet Russia's Lenin. I am quite certain, despite Mr. Abbink's assurances to the contrary, that another Chinese Wall around this Republic would be an invitation to national suicide.

I am hopeful that eventually, and not too late, we shall find the means to erect a new economic system based on cooperative effort rather than the nineteenth century laissez-faire. If we can this time avoid a rigid gold exchange standard, then the elasticity can be provided by the rise and fall in values of surplus rather than by holes in the belts of wage-earners. The pressure of life, once this war is ended, should be too great to be restrained again by artificial barriers. The only obstacle in our path is our own obtuseness. Too many cannot even comprehend the vast opportunities which lie ahead. There is reason to believe that my own generation can force its way to a grand destiny. It can never reach the goal if we allow ourselves to develop a hopeless fatalism which destroys ambition and completely obliterates individual effort.

The first evil to avoid then is even a whisper about a Chinese Wall of seclusion. The second evil is a return to a rigid international gold exchange standard. In former years this was simply a clever device to create false though monstrous values and to assure the permanence of invested surplus wealth. When the time element of a rigid gold exchange standard runs out, tariffs are conspired to keep the monstrous values alive and thereby postpone the fateful day of reckoning.

We need not look back at past generations for the creators of our mighty works. Rather, we must look into the faces of our fellow men. There we see the intelligence and strength which has created the products of our advancing civilization. With our genius for invention and organization, we should, through cooperative effort, be able to provide for the leisure which will be forced upon us by the great expansion in our capacity to produce.

The last evil concerns war debts—past and present. This stupendous item cannot possibly be paid unless we mean to harness the labor of generations still unborn. As it is now, there are not sufficient people to create the new and productive wealth necessary for full payment. Furthermore, these war debts are a serious obstacle to the new credit so essential to a flourishing world commerce. Kept alive, they will surely impede a healthy rebirth of confidence, initiative and an equitable distribution of the benefits derived from our own mechanical triumphs.

JOHN L. ROWE

Jan. 21, 1945
Los Angeles, Calif.

Railroad Employees Total 1,400,129

Employees of Class I railroads of the United States, as of the middle of December, 1944, totaled 1,400,129, an increase of 3.74% compared with the corresponding month of 1943, but a decrease of 0.65% under November, 1944, according to a report just issued by the Bureau of Transport Economics and Statistics of the Interstate Commerce Commission.

A gain over December, 1943, is shown in the number of employees for every reporting group. The percentages of increase are:

Executives, officials, and staff assistants, 2.56; professional, clerical, and general, 2.98; maintenance of way and structures, 8.72; maintenance of equipment and stores, 3.74; transportation (other than train, engine, and yard), 3.21; transportation (yardmasters, switchtenders and hostlers), 3.23, and transportation (train and engine service), 0.41.

No Social Benefits Without Economic Opportunities

(Continued from page 714)

able to those who would work for them. A great contrast exists today. We have concentration of people in our great cities. When times are hard these people have small reserves and soon suffer. The geographical frontier is gone. To a degree economic and social unrest have supplanted the self reliance and feeling of economic security of Lincoln's people.

People today are more subject to mass movements, to class pressures. In such a time, purpose gives way to expediency and order is often supplanted by confusion. Out of this confusion, the world around, has come the cry for a government-managed economy. It arises from the unsound philosophy that government is something more than the citizens of that government; that government is something distinctive from the people themselves; that government has a different conscience, a separate perosnality from the people whose government it is. This concept is the foundation of totalitarian philosophy which has swept around the world and had a backwash here at home.

People today want to move forward. To move forward we must preserve the economic and political freedom of Lincoln's day. They want to attain specific social gains and retain those that have been made. We also want social security with the maximum degree of individual freedom. But, if this social achievement ever comes to pass it will be because government responds not only to the needs of people but to the will of people. Government cannot continue to provide social benefits unless there are economic opportunities.

Government gets money only from taxation, and taxation can come only from economic productivity. The only alternative is absolutism or state socialism in some form. We want no part of that here in America. It is not necessary even in war to adopt the philosophy of government of our Allies or our enemies to win the war.

As men fought in Lincoln's day to preserve the Union, men and women fight around the world under the American Flag today to preserve self-government under the Constitution here at home. Government cannot continue to give, either to its own citizens or to other peoples, unless there is a continually expanding production. There is a philosophy abroad in the land inspired by the New Dealers that if you can only get money in the local community from Washington somehow or another, it will never have to be paid back. The States have been urged to get more and more while the getting is good, often prompted by the philosophy that it is our money anyway and if we don't get it somebody else will. Some erroneously believe that international good will can be bought over the counter with dollars. It can only be ours through fair and honest dealing. We believe in America. We fight for our country. We must, to be true to our sacrifices, defend our country and her interests in international relations.

The tax and tax—spend and spend—elect and elect philosophy that is the heart and soul of the New Deal will destroy America unless we awaken and destroy it.

Society today must have an adequate substitute for the individual opportunity and freedom which were the natural attributes of the frontier life of Lincoln's day. We have that substitute within our grasp. The dark recesses of the unknown and the field of science lure men on to new discoveries. The next frontier is the utilization of those discoveries for the betterment of society. From the era of electricity we move into chemistry. The hidden secrets of nature are being revealed by scientists day by day, staggering the imagination.

The greatest set-back that the creative genius of this country has had was the New Deal idea of managed economy that grasped this country in the 1930's. It fenced off the frontier of individual opportunity. Only war released the latent energies and creative abilities of our people. In engineering, in mechanics, in biochemistry, in the field of public health, in government, in international relations, everywhere the call is for an inspired and consecrated leadership. Above all there is a yearning for a spiritual leadership in the life of our people.

What good is it to men and women if we create and build implements of power, bring new things into being unless the spiritual life of people is such as to use those creations for the betterment of mankind. The faith of Lincoln must find lodgment in the hearts of men today. Even in war and out of war we must have his spirit of charity and brotherly helpfulness.

Listen to him as he leaves the frontier home to go to Washington to assume the noblest office in the world then and today, the Presidency of the United States:

"I now leave, not knowing when or whether ever I may return, with a task before me greater than that which rested upon Washington. Without the assistance of that Divine Being who ever attended him, I cannot succeed. With that assistance, I cannot fail. Trusting in Him who can go with me, and remain with you, and be everywhere for good, let us confidently hope that all will yet be well. To His care commending you, as I hope in your prayers you will commend me, I bid you an affectionate farewell."

Hear him again in the second inaugural as the clouds of war begin to lift:

"Fondly do we hope—fervently do we pray—that this mighty scourge of war may speedily pass away. Yet, if God wills that it continue until all the wealth piled by the bondman's two hundred and fifty years of unrequited toil shall be sunk, and until every drop of blood drawn with the lash shall be paid by another drawn with the sword, as was said three thousand years ago, so still it must be said: 'The judgments of the Lord are true and righteous altogether.' With malice toward none; with charity for all; with firmness in the right, as God gives us to see the right, let us strive on to finish the work we are in; to bind up the nation's wounds; to care for him who shall have borne the battle, and for his widow and his orphan—to do all which may achieve and cherish a just and lasting peace among ourselves and with all nations."

That is the spirit that today can lead us from darkness into light, from chaos into order. That is the spirit that will unlock the laboratories and give to the world the great discoveries of science. That is the spirit that will keep the social needs of the people from yielding to the selfish motives of the few. That is the spirit that will inspire business, industry and labor to take a chance, to move into the creative pioneer territory that lies ahead.

Bureaucracy, paternalism, managed economy were not in Lincoln's vocabulary. They are not inspiring words. They do not tell the story of the American Way. They have their roots in other foreign philosophies of government. They are not Republican words. They are not of the essence of the constitution and representative government. Individual opportunity again must be written across the banner of the Republican Party.

The program of the Republican Party should be an American proram. In part it should be:

1. To teach the ethics and principles of our democracy in the school, in the church, in the press, on the radio and in the home. The ethics of democracy are a part of the ethics of Christianity. They cannot be separated.

2. To provide a political atmosphere and a system of taxation conducive to individual success. Freedom for economic success is indispensable to the preservation of democracy.

3. To resume fully the processes of democracy by doing away with government by directives and governing ourselves in the spirit and method of the representative system.

4. To establish a balance in government so that no one social or economic class is favored over others, and to make it possible for all classes to make their full contribution to our economic and social welfare.

The high purpose of the Republican Party in these times is to keep America from being converted, under the shibboleth of economic and social security, into a nation of faceless mass-men who work and move only under the direction of government. There is no mistaking the purpose of the chief supporters of the New Deal Party—The PAC, the intellectual left-wingers, the so-called liberals, the communists and others—to establish a controlled economy managed by a Fascist political organization. Diverse as these various groups are in their specific political outlooks, they are united in the one purpose to suppress individual and minority rights and freedoms in the interests of intrenching themselves in power.

The Republican Party and those of the Democratic Party who have kept their bearings instead of thinking in terms of classes and masses, are thinking in terms of the individual man and of his personal opportunity and freedom. It was on that Christian concept that this nation was founded. It was on that concept that it grew into its present position of primacy in the world of nations. It is on that concept that it can again move forward and energize not only the individual citizen but our entire economic and social structure.

No greater tribute could we bestow on the now immortal Lincoln than to dedicate our lives to keep inviolate the blessings of liberty for which he gave his life, a sacrifice emulated today around the world by the brave sons and daughters of America as they move forward to conquer the forces of evil and ruthless might.

Morgenthau Says Nation Has Ability To Service Debt

(Continued from page 714)

lected from taxpayers and paid to the holders of the debt, who are also numbered among the taxpayers.

"The burden of the debt, therefore, consists of the necessity of collecting a large amount of money from some persons and repaying it to others, and of the possible adverse economic effects of the resulting redistribution of income upon the amount of the national product.

"This burden is a real one, however, and it should be a major object of fiscal policy in the post-war period to reduce the amount of the debt in so far as this is compatible with the maintenance of full employment.

"All borrowing during the war-time period has been by the issuance of securities, the interest on which is subject to the Federal income tax. The exclusive issuance of such securities, which is now a permanent part of our public debt policy, has been achieved without any substantial increase in the interest rates on Federal securities above the rates which it would have been necessary to pay on tax-exempt securities. The taxability of the interest on the war-time debt will both ease the problem of public debt management in the post-war period and make possible a more equitable and better balanced Federal tax system.

"The low level of interest rates on the public debt (the computed interest rate on June 30, 1944, was 1.93%) lightens the burden of the debt and will tend to simplify debt management in the post-war period. Moreover, the fundamental factors underlying interest rates on Government securities, which apply also to interest rates in other fields, give no indication of a change in the direction of a higher level of rates in the foreseeable future. Continued low interest rates will be a major contribution to economic stability and the maintenance of full employment after the war, for low interest rates stimulate business and encourage new enterprise.

"Borrowing during the war period has been carried on with a constant eye to the transitional and post-war effects of the types of securities offered and the classes of investors appealed to. The Treasury has so diversified its offerings of securities as to provide a security adapted to the requirements of each major class of investors. Long-term marketable bonds have been sold principally to insurance companies and savings banks; commercial banks have been offered more liquid marketable obligations having terms of 10 years or less; one-year certificates of indebtedness, and Treasury savings notes having a maturity of three years, but redeemable at the owner's option after six months, have been especially attractive for the investment of temporary accumulations of business concerns. The principal emphasis in sales of securities to individuals has been upon series E savings bonds, which have a maturity of 10 years, but which are redeemable at the owner's demand after 60 days.

"In offering securities to different classes of investors, the Treasury has always borne in mind the fact that the time which the original purchaser of a security will hold it will depend, principally, upon his own future needs and convenience, and to a very minor extent upon the nominal maturity of the security. The indiscriminate issuance of long-term securities to all classes of investors would not insure their being held to maturity by their original purchases, but would result merely in premature market liquidation. The adaptation of the securities offered to the particular needs of different classes of investors, taken in conjunction with appropriate open market policy, obviates the possibility of a disorderly liquidation of securities through the market, such as might have occurred had a single type of marketable security been issued to all. Such liquidation, as is inevitable in the post-war period, will take the form principally of the redemption of securities by the Treasury, either at maturity or at the owner's demand, rather than by sale in the open market. The refinancing of these obligations, to the extent that a net reduction in the outstanding debt is not possible, can be conducted in an orderly manner by the sale of new Treasury securities adapted to market conditions at the time. Thus, one factor of economic instability, the demoralization of the security markets, will be eliminated.

"Smooth transition to a peace-time economy will be promoted by the distribution of public debt securities of different types among various classes of investors. Corporations which have invested their reserves for reconversion and post-war expansion in certificates of indebtedness and Treasury savings notes suffer no impairment in the liquidity of their reserves by such investment. After the war they may sell or allow their holdings of certificates to run off and may present their savings notes for redemption without loss of principal.

"The composition of the public debt will also contribute to economic stability by releasing purchasing power when the stimulus of increased spending is needed. Although individuals will probably not liquidate their savings bond investments on a large scale in the post-war period, they are likely to spend more freely of their current incomes because of the sense of security afforded by their savings bond holdings. Distribution of savings bonds among many individuals in the relatively low income groups will enhance the contribution of such spending to the maintenance of economic stability. The same circumstances which have made it advisable to concentrate a large proportion of the war-time debt in securities of short maturity will continue in time of peace. The contribution which such a structure of the public debt furnishes to the liquidity of the whole economy will be an important factor in the maintenance of full employment in the post-war period. The funding of a major portion of the short-term debt into longer-term securities, on the other hand, would serve merely to increase the interest cost to the Government and to shift the risk of future changes in interest rates (and corresponding movements, in the opposite direction, of bond prices) from the Government to private investors. Such a policy would increase, rather than reduce, the factors making for instability in the post-war economy, as the Government is in a better position to bear the risk of changes in interest rates than most classes of investors and — unlike any class of investors—is in a position to minimize it. I see no need, therefore, for any large-scale refunding of short-term Government securities into long-term ones during the transition of post-war periods."

Report Decline in Cashing War Bonds

In announcing January United States Savings Bond sales of $1,074,180,000, Secretary Morgenthau on Feb. 5 pointed out that conversion of these bonds (Series E, F, and G) by their owners into cash has steadily declined since the inauguration of the Oct. 2, 1944, redemption plan. The redemptions and percentages of the outstanding were as follows:

1944—	Cash	%
October	$395,000,000	1.16
November	376,000,000	1.08
December	359,000,000	0.98
1945—		
January	333,000,000	0.89

DIVIDEND NOTICES

AMERICAN GAS AND ELECTRIC COMPANY

Preferred Stock Dividend

THE regular quarterly dividend of One Dollar Eighteen and Three-quarter Cents ($1.18¾) per share on the 4¾% cumulative Preferred capital stock of the company issued and outstanding in the hands of the public has been declared out of the surplus net earnings of the company for the quarter ending March 31, 1945, payable April 2, 1945, to holders of such stock of record on the books of the company at the close of business March 8, 1945.

Common Stock Dividend

THE regular quarterly dividend of Forty Cents (40c) per share on the Common capital stock of the company issued and outstanding in the hands of the public has been declared out of the surplus net earnings of the company for the quarter ending March 31, 1945, payable March 15, 1945, to holders of such stock of record on the books of the company at the close of business February 20, 1945.

H. D. ANDERSON, Secretary.

February 14, 1945.

American Woolen Company

INCORPORATED

225 FOURTH AVE., NEW YORK 3, N.Y.

AT a meeting of the Board of Directors of the American Woolen Company held today, a dividend on the Preferred Stock of $2.00 a share on account of arrears was declared, payable March 15, 1945 to stockholders of record March 1, 1945. Checks will be mailed by Guaranty Trust Co. of N. Y., dividend disbursing agent.

F. S. CONNETT, *Treasurer.*

February 14, 1945.

ALLIS-CHALMERS MFG. CO.

COMMON DIVIDEND NO. 83

A regular quarterly dividend of forty cents ($0.40) per share, upon the issued and outstanding common stock, without par value, of this Company, has been declared, payable March 31, 1945, to stockholders of record at the close of business March 8, 1945. Transfer books will not be closed. Checks will be mailed.

W. E. HAWKINSON, Secretary-Treasurer.

February 8, 1945.

Atlas Corporation

Dividend on Common Stock

NOTICE IS HEREBY GIVEN that a dividend of 25¢ per share has been declared on the Common Stock of Atlas Corporation, payable March 20, 1945, to holders of such stock of record at the close of business February 28, 1945.

Dividend No. 34 on 6% Preferred Stock

NOTICE IS HEREBY GIVEN that a dividend of 75¢ per share for the quarter ending February 28, 1945, has been declared on the 6% Preferred Stock of Atlas Corporation, payable March 1, 1945, to holders of such stock of record at the close of business February 17, 1945.

WALTER A. PETERSON, *Treasurer*

February 7, 1945.

THE BUCKEYE PIPE LINE COMPANY

30 Broad Street

New York, January 30, 1945.

The Board of Directors of this Company has this day declared a dividend of Twenty (20) Cents per share on the capital stock without par value, payable March 15, 1945 to shareholders of record at the close of business February 23, 1945.

C. O. BELL, Secretary.

CANADIAN PACIFIC RAILWAY COMPANY

Dividend Notice

At a meeting of the Board of Directors held today a dividend of three per cent. (seventy-five cents per share) on the Ordinary Capital Stock in respect of, and out of earnings for, the year 1944, was declared payable in Canadian funds on March 31, 1945, to Shareholders of record at 3 p.m. on March 1, 1945.

By order of the Board,

FREDERICK BRAMLEY, *Secretary.*

Montreal, February 12, 1945.

How To Keep Up Employment

(Continued from page 716)

It proposes that the Federal Government, with the cooperation of committees from industry, set up a production quota for each industry. When the quota has been produced, if the total amount can not be sold, the Government is to buy the surplus. The plan obviously could not work unless wage rates were controlled by the Government. Furthermore, the plan would establish a fascist instead of a freely competitive regime, and, like all plans for public regulation of production, would create an environment favorable to control of industry by political wire-pulling and graft, rather than by the efficient production of those particular things which customers demand.

The idea that people can be set to work by lowering taxes has decided limitations. What tax reduction, accompanied by lessened spending by Government, does is to shift people from public to private jobs. This is a highly desirable goal, but it is not likely to have much effect on the total volume of employment, for, in buying hours of labor, the private dollar goes but little further than does the public dollar.

Similarly, public works programs, if financed either by taxation or by borrowing from thrifty citizens, have no tendency whatever to lessen unemployment, for they do not increase the total volume of purchasing power. Clearly, the ability of a dollar to buy labor is not enhanced one iota by transferring it from the pocket of a citizen to the public treasury.

The framers of the *Full Employment Act of 1945*, proposed by the War Contracts Subcommittee of the Senate, may have in mind the Ezekiel program or may merely contemplate the use of governmental spending to prevent unemployment. They are correct in asserting: "If the gross national product is high enough after the war . . . there will be enough jobs for everyone." However, they have the cart before the horse, The "national product" is turned out by working. Therefore, when there is full employment the national product is high. But that a high national product does not necessarily lead to a large volume of employment is made evident by the situation in 1928-9. In those years, the national product was unusually large, yet employment declined sharply for the next two years.

It seems safe to predict that no real progress is likely to be made in the direction of preventing post-war unemployment, until those working toward this end learn the nature of the forces responsible for unemployment. Fortunately, the facts in the case are so simple that any openminded person can grasp them without difficulty. They are as follows:

1. The total wage bill of the nation constitutes an approximately constant fraction of the total spending power of the people of the nation. While recent complete statistics are available only for manufacturing and railroading, the fraction for all industries probably lies normally between 42 and 45%.

2. The total spending power of the nation is made up of the algebraic sum of the realized income of all the people in the nation and *changes* in the volume of money and demand bank deposits. The realized income is the resultant of production in the recent past and the price level—the latter being in turn dependent upon the amount of money and demand deposits in circulation. Total spending power can therefore be increased either by working harder and producing more, or by inflating the currency. During the war, we have been doing much of both.

3. The total number of hours of employment in the nation can evidently be calculated simply by dividing the total wage bill in the nation by the average rate of pay per hour.

A fact that wishful thinkers and vote hunters will not face is that the volume of employment is determined by a ratio—the ratio of spending power to the average wage. These propagandists all rivet attention solely upon the numerator of the fraction and ignore the denominator. The obvious result is that their conclusions are worthless.

In reality, any amount of spending power will always produce full employment and prosperity for the working class—provided that average wage rates are low enough. No amount of spending power will give full employment if the wage rates are too high.

Whenever spending power shrinks and wage rates remain constant, employment falls off and depression results. This was what happened in the period 1929-1932 when bank credit contraction sharply reduced total spending power. Whenever wage rates increase faster than spending power, workers lose their jobs and industry stagnates. This was what happened in 1937-8.

Whenever spending power increases faster than wage rates, employment increases, the total of wage payments expands, production rises, and industry prospers. This is what has happened during the war. A stupendous inflation of bank deposits (caused by Federal borrowing coupled with legal restriction of wage rates), has changed a huge labor surplus to a labor shortage. Unfortunately, however, the robbery of the thrifty inherent in the inflationary process offsets much of the benefits gained by the stimulation of employment. Furthermore, the huge indebtedness of the Government to the banks threatens serious trouble in the future.

From the facts stated above, it appears that the problem of providing full employment after the war boils down to this simple proposition: Is it possible to keep total spending power (the numerator of the fraction) large enough and to hold down the average wage rate (the denominator of the fraction) sufficiently to furnish as many hours of employment as people care to work? Unless this can be done, no amount of job-hunting, investment promotion, tax maniplation, public works, or other governmental spending will accomplish the end desired.

DIVIDEND NOTICES

COLUMBIAN CARBON COMPANY

Ninety-Third Consecutive Quarterly Dividend

The Directors of Columbian Carbon Company have declared a regular quarterly dividend of $1.00 per share, payable March 10, 1945, to stockholders of record February 23, 1945, at 3 P. M.

GEORGE L. BUBB *Treasurer*

THE FLINTKOTE COMPANY

30 Rockefeller Plaza
New York 20, N. Y.
February 7, 1945

Preferred Stock

A quarterly dividend of $1.125 per share has been declared on the $4.50 Cumulative Preferred Stock of this corporation, payable on March 15, 1945 to stockholders of record at the close of business March 1, 1945. Checks will be mailed.

Common Stock

A dividend of $.15 per share has been declared on the Common Stock of this corporation, payable on March 10, 1945 to stockholders of record at the close of business February 24, 1945. Checks will be mailed.

CLIFTON W. GREGG, *Treasurer*

LANE-WELLS COMPANY

DIVIDEND NOTICE

The Board of directors has declared a quarterly dividend of 25 cents per share on the common stock, payable March 15, 1945, to stockholders of record February 19, 1945.

B. G. PETERS, Secretary-Treasurer

Sun-Kraft, Inc.

DIVIDEND NOTICE
CLASS "A" STOCK

A regular quarterly dividend of 12½ cents per share on the Class "A" Stock of Sun-Kraft, Inc., has been declared, payable February 15, 1945, to stockholders of record at the close of business February 8th, 1945. Checks will be mailed.

SUN-KRAFT, INC., CHICAGO
A. V. ASHMAN, Secretary

Manufacturers of Sun-Kraft quartz ultra-violet ray equipment.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 726)

issues show better pictures than the averages. It is these individual stocks this column is trying to concentrate on. It is hoped that all of these choices will bring profits. Yet I am not naive enough to dive in and ask others to follow. So wherever recommendations are made they are tempered with stops. Even these stops aren't perfect. As a matter of fact, the market and perfection have little or nothing in common. At best, these are an approximation based on years of experience and subject to close daily watching.

* * *

One important thing to watch is market action as averages try to penetrate previous highs. Inability to go through now isn't an indication of future failure. A flattening of further advance can be a good substitute. Theory is that the market is gathering sufficient strength, to use a military simile, on which to advance. But in order to maintain its position it cannot decline, or retreat, more than a point or so. For if it did, it would prove not only that it was vulnerable, but would place itself in a position where the entire previous advance could collapse into a reaction.

Applying all the above to individual stocks we have the following to watch: Buy Allis Chalmers between 40½-41½, stop 39. American Bank Note 23-24, stop 22. National Lead 25-26, stop 24. Socony Vacuum 15-15½, stop 14½. American Radiator, 12½-13½, stop 11.

* * *

Of the above list the only one which came into the list, so far as a hasty check shows, was American Radiator. If any one believes the stock will be a whirlwind they had better disillusion themselves. It was recommended because it does show "up" signs. But none of these are dynamic in character. At best, stock will be a long-pull affair.

* * *

In recommending any stocks I take into account existing market action and the belief that current strength (at the time of recommendation) will be followed by subsequent weakness. It is on such weakness that stocks should be bought. Following strength is an amateur's vocation. So if any of the above suddenly develop strength, don't chase them. Wait. You'll get them at your price. If you don't, there will be other stocks to choose from.

* * *

If they weaken instead, your buying points will be reached. If stops are broken, you will lose. But that can't be helped. For with every potential profit there goes a potential loss. If you can keep the ratio down you will be ahead. And that's all this column tries to do.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Will $5 Billion Solve Britain's Problem?

(Continued from page 715)

required to restore the UK to its pre-war healthy appearance. There is more than a suggestion that this is not the same old Britannia that mothered the industrial revolution and ruled half a world. If the pound sterling is the symbol of Britain's strength, $4 is no longer its worth and such measures as generous loans and lend-lease would, it is suggested, really prove to be only grand gestures. Britain's reconstruction cannot be brought about by Uncle Sam's peeling off a few large bills. That method will give the semblance of recovery but is likely to leave certain fundamental realities unfaced.

To call a pound sterling $4 is not to make it $4, any more than a lady can knock 20 years off her life by going to the hair dresser's. You may give the Old Lady of Threadneedle Street a $5,000,000,000 "permanent," but a "permanent" after all is only temporary.

What are some of the realities that must be faced in Britain's case? According to some thoughtful observers, a $5,000,000,000 post-war gift would not be more than a palliative, for the following reasons:

Britain's post-war economy will be suffering from loss of investments, blocked balances of foreigners, a high national debt, intensified competition between trading nations, the competition of synthetics, British commitment to a policy of agricultural protection, the world-wide spread of industrialization, and pressure for a higher standard of living and social reforms in the face of the admittedly low productivity of British industry.

The British now seem to be thoroughly aware of the backwardness of their industry and plans are being laid for modernization in such fields as coal mining and textile manufacture. Indicative of the situation was the report last year of the cotton textile mission to the United States. That document, which the "Financial News" (London) called a startling indictment of the insularity of the British industry, reported that:

> With normal staffing, British production per man hour is less than the American by approximately 18 to 49% in spinning, by 80 to 85% in winding, by 79 to 89% in beaming, and by 56 to 67% in weaving. . . . British labor requirements exceed the American by approximately 22 to 98% in spinning, by 387 to 571% in winding, by 366 to 786% in beaming, and by 129 to 203% in weaving.

Britain may be expected to tackle this problem of modernization. But, while she is doing so, other countries also will be modernizing their production methods. Britain cannot hope to compete with Asia in low-grade textiles, while high-grade textiles are being developed everywhere. Coal production on the Continent will be modernized. Other competitive sources of power will be developed. There is also the matter of tariff protection that accompanies industrialization.

If Britain got a $5,000,000,000 loan or grant from us, she would use part of it to finance her exports by granting credits to her customers. Just how well that would sit with American export interests is not predictable. But it seems fairly certain that Indian and other foreign holders of the so-called blocked sterling would demand that London share the $5,000,000,000 with them. Some Americans would be apt to object that the plan amounts to this country assuming part of Britain's war debt. Indeed, one proponent of a large grant-in-aid has described it as "retroactive lend-lease."

A large loan or grant of dollars from the American Government to the British would, on the one hand, undoubtedly increase the pressure in the United Kingdom for social reforms, because the burden on the British budget and taxpayer would be relieved to the extent that it should be assumed by the American budget and taxpayer. And, on the other hand, the $5,000,000,000 transfer might interfere with Britain's carrying out certain national controls, for fear of the impression such controls might make on American public opinion. Thus, it is reasoned, the $5,000,000,000 transaction might bring about political and social strains.

To the extent that the $5,000,000,000 were used by members of the British Commonwealth other than the United Kingdom, it would tend to strengthen their economic relations with the United States, and thereby intensify American competition in the Empire. This is so because U. S. dollars are in the last analysis spendable only in the United States, and in the case of a credit to Britain certainly would be spent here for goods and services, not for gold.

Such a loan or gift to the British probably would interfere with a lowering of American import duties on British goods, on the theory: "Haven't we done enough for the British? Why should we now lower our tariffs?"

For such reasons, it is believed, a $5,000,000,000 loan or grant to Britain would merely serve to prolong for a few years an untenable situation. Britain, home of the industrial revolution, now must learn about productivity from its pupils. Britain, which long led the world in merchant marine and whose prosperity has depended so largely on invisible income from the carrying trade and from foreign investments, now surveys a different scene. It sees the United States, for the moment at least, the greatest maritime power. It faces other new competition in world trade. And Britain sees its investment income permanently reduced as a result of the war—even though British investments have not been so badly depleted as is often asserted.

The point of this brief reportorial note is, in short, that we cannot with a long-term loan or gift stabilize the British economy. If we want to be responsible for a strong Britain, we shall have to give the matter our continuing attention over the years.

Bretton Woods Plans Vital Road Toward Int'l Economic Cooperation: Morgenthau

(Continued from page 719)

nary plans for just such a world-wide approach to the problem. Our ideas were discussed with congressional committees, with the Board of Governors of the Federal Reserve System, the State Department, other Government agencies, and with banking, business and labor people throughout the country. For the next two years we were in almost constant conference with monetary experts of 30 other countries."

"All this," he maintained, "led up to the United Nations Monetary and Financial Conference at Bretton Woods, last July, which was attended by delegations from 44 United and Associated Nations."

Answering a chief criticism of the International Fund, Mr. Morgenthau declared: "Now, let me make this clear. The Fund is not a scheme for lending money to debtor nations, and those who see it in that light are missing its entire meaning. Essentially, it is an instrument to prevent the disastrous outbreak of economic warfare. It represents a common effort of all the countries to keep their currencies stable in relation to each other. Each member country will have the strongest of inducements to keep its currency in line so that its credit and foreign trade may be preserved and expanded."

"But the Bretton Woods conference did more than formulate the International Monetary Fund," he added. "It also formulated plans for an International Bank for Reconstruction and Development. This bank will help war-ravaged nations to reconstruct themselves and help to develop those countries which have been undeveloped in the past. It will begin where private loans leave off, guaranteeing and making direct loans which will serve to add to the world's production and increase the volume of international trade. Full production and full employment in this country will depend in large measure on the success of our efforts to increase international trade."

Continuing, he said: "The well-being of American farmers, American labor and American business depends in large measure on a high level of international trade. The world demand for American exports can easily absorb the output of 3,000,000 workers in industry, and 1,000,000 people on the farms. The indirect effects would be an enormously greater flourishing world trade. It can mean an export demand for half our cotton, one-third of our tobacco, and nearly one-fifth of our production of wheat, rice, lard, and similar crops. In the high-wage industries, in which America specializes, full employment is possible only if more than 10% of their production is sold abroad. The sale of these industrial exports makes the real difference between business profits and business losses.

"America is emerging from this war in a position of world leadership. People everywhere look to us with respect and with hope. We hold this position, of course, in part by virtue of the material power of America, by our tremendous and overwhelming capacity to produce on a scale always leaping beyond man's imagination. But is stems also from the world's confidence in America's intellectual and moral structure."

Calling for wider world economic cooperation, Mr. Morgenthau concluded his address by saying:

"Fundamental to the discharge of our responsibilities in world leadership must be a willingness to take a clear and firm position on the problem of international economic cooperation. It is the first step in meeting the greatest challenge of all history, the challenge of lasting peace. At the Crimea conference the foundation was laid for such a peace through agreement among world leaders on vital basic principles. The world today wants to know the extent to which we in America are prepared to support these principles with concrete action.

"It is in the light of these imperatives that we must resolve the fate of the Bretton Woods agreements. They represent a concrete avenue toward international cooperation on the economic front. To the world they stand as a symbol of the end of economic isolationism in the U. S. They do not represent perfection, but they do represent agreement. And agreement is, of itself, the very life-blood of international cooperation."

The remarks uttered by Secretary Morgenthau at St. Louis were supported in the pages of the annual report of the Treasury Department for the fiscal year 1944. In this report the Secretary reviews the monetary stabilization efforts of the Treasury since 1936 and expresses the view that bilateral agreements are inadequate. The report states, in part:

"For more than a decade we have tried to secure currency stabilization through cooperation with friendly governments. In 1936 we joined with England and France in the tri-partite declaration, to which Belgium, the Netherlands and Switzerland adhered, to maintain stable exchange arrangements and to consult on important exchange problems. The Treasury also entered into bilateral stabilization agreemest with a number of American republics and other friendly countries. These measures, while helpful, were not adequate to assure stable exchanges in a world of restriction and economic aggression.

"On the basis of this experience the Treasury came to the conclusion that international monetary and financial problems could be dealt with only by broad cooperation among all countries. After extended study by the Treasury, with the cooperation of other departments of this Government, tentative proposals were formulated for an international stabilization fund, for an international bank, reconstruction of the war-torn areas of Europe and Asia, and the development of new countries.

"As one of the leading foreign trading countries of the world, we have a special interest in these measures for international monetary and financial cooperation

Says Morgenthau Wrongly Accuses Bankers of Selfishness

(Continued from first page)

for the stabilization of international currencies and the creation of an international credit bank. Upon those occasions, I was in attendance, and I received the distinct impression that the Congress would be given an opportunity to pass on those proposals before they were put into operation. Two or three days ago the American Bankers Association issued a formal report with respect to the recommendation of the Bretton Woods Conference held last summer. From the statement attributed to the Secretary by the press, I came to the conclusion that the Secretary of the Treasury is unwilling for Congress to proceed to take action, and that he takes the position that what he and Mr. White and others have recommended is what shall be adopted regardless of what Congress thinks about the matter."

"At his press conference of February 5," Mr. Crawford continued, "Secretary Morgenthau publicly spanked the banks because they suggested a modification of the Bretton Woods program evolved largely by the American and British Treasuries. That spanking is unfortunate, because no group is better qualified to appraise the Bretton Woods proposals—which will soon be placed formally before the Congress—and no group has more patriotically cooperated with the Treasury in war finance, foreign-funds control, and similar matters."

Holds Bankers' Report Was Representative

"If, as Mr. Morgenthau claims, the bankers who were selected by the American Bankers Association, the Association of Reserve City Bankers, and the Bankers Association for Foreign Trade to study and report on the Bretton Woods program, do not speak for the members of those organizations," Mr. Crawford commented, "then by the same token a Congressman does not speak for his constituents.

"Mr. Morgenthau would condemn the report of the bankers' committees to their memberships on the grounds that they did not first poll their members. Imagine polling 15,000 bankers on a conference document which fills 85 printed pages with its articles, sections, and subsections. Naturally, the bankers had to delegate the job of analysis to committees, which have now made their report to all the bankers.

"Imagine what it would be like if we Members of Congress had to send out and poll our districts before we spoke on any matter of public interest.

"Did Mr. Morgenthau and Mr. Harry White speak the solid viewpoint of 138,000,000 Americans when they negotiated the Keynes-White program in 1943-44 and when they dealt with 43 other governments at Bretton Woods? Had they first polled our people?

"Although Mr. Morgenthau regards the three bankers' committees who produced the report on the Bretton Woods program as not representative of banking as a whole in the very same breath he states that the Pennsylvania Bankers Association approves the Bretton Woods program. I would ask the Secretary whether that State association was polled on the question, or whether its report favorable to the Bretton Woods Keynes-White program was not also the work of just a committee?

"The Treasury seems to regard the work of the Bretton Woods Conference as beyond improvement. Is it possible that all the best brains and wisdom of this country were on the American delegation at Bretton Woods and that it spoke the last word on the subject? I would call attention to the fact that our delegation at Bretton Woods was instructed in advance by President Roosevelt not to consider any other plan than the one worked out by our Treasury and other Government experts. In other words, no alternative plans were even taken up at Bretton Woods.

"Note, too, that the Bretton Woods program was, as Lord Keynes clearly informed the delegates, entirely ad referendum to the 44 governments. Lord Keynes said:

"'We do not even recommend our governments to adopt the result. We merely submit it for what it is worth to the attention of the governments and the legislators concerned.'

"No country is committed to the program. None has yet accepted it."

In conclusion, Mr. Crawford said:

"Mr. Morgenthau accuses the banks of selfishness, of not looking beyond their own business interests in this matter. It seems that they are wicked international bankers one day and narrow isolationists the next. Imagine, if you can, the National City Bank of New York, with its 39 foreign branches abroad and its correspondents all over the world, as isolationist.

"Does the Treasury consider itself or its economists the sole repository of practical international experience and of patriotism? With such a view I, for one, disagree."

Proper Compensation for Corporate Management

(Continued from page 717)

under a mere guise of compensation, but in fact having no relation to services rendered." And from the National City Bank compensation case decision: "To come within the rule of reason the compensation must be in proportion to the executive's ability, services and time devoted to the company, the difficulties involved, responsibilities assumed, success achieved, amounts under jurisdiction, corporation earnings, profits and prosperity, increase in volume or quality of business or both, and all other relevant facts and circumstances; nor should it be unfair to stockholders in unduly diminishing dividends properly payable." Quite a large order!

The *basic* difficulty in "pricing" an executive lies in finding the market rate, a scientific gauge, or a statistical yardstick.

While there *are* considerable published data on actual compensation paid which are periodically available to the public, their utility in judging particular cases is highly questionable.

In the first place, even to a greater extent than in other fields, statistical evidence can here be made to fit prejudiced conclusions.

Appraisal of proper compensation is difficult even when based on the total amount paid to all the executives of a single company; outsiders cannot possibly judge the many and varied factors properly relevant to the job being done by management. Also comparisons among different industries are not valid; for example, a sales executive in an office-equipment company surely performs a more expert and valuable task in selling and servicing his customers than does one in, say, a food company which spends millions in advertising.

Although publicity seems to me to offer the best weapon for good conduct under our democratic process, even this has serious drawbacks. While publicity does offer numerous advantages, such as turning the light on individual consciences, affording the opportunity for careful study of payments, at least indicating the going market rate, and generally aiding the cause for fair treatment of officers and stockholders; on the other hand, publication of named individuals has the disadvantages of causing gossip, aiding the activities of racketeers, and stimulating intra-company jealousies and discontent.

Current thinking on compensation problems should not omit placing them in their *war-time* setting. Hence I would urge the following currently important questions for your earnest consideration:

1. Do raised or arbitrarily lowered salaries better help the war effort?

2. Should it not be recognized that the expansion of particular industries' activity and profits arise from "war baby" causes over which executives have no control—and that officials in such industries as railroad, traction, etc., are not entitled to financial reward arising from increased sales volume?

3. Should the performance and salaries of executives be more closely scrutinized by labor because of war-time wage ceilings, and by the public because of the obviously great sacrifices of those in the armed forces?

4. Should current compensation be related to war-time individual income tax rates? While the public thinks in terms of *gross* salaries, nearly all executives—because of tax increases—have suffered drastic reductions in their "take-home" pay. Thus a New York State recipient of a $125,000 salary kept $101,000 in 1929, and $36,000 of it in 1940; but now taxes take all but about $26,000. Is the practice of many companies in showing such net-after-tax figures in statements to stockholders justified? In any event, how much weight should be given to this tax factor?

In conclusion I submit my answer to these questions, as well as to the broader issues involved in the determination of management compensation. I believe that the ultimate solution lies in the organization of investors into cohesive groups who shall consult in a businesslike and statesmanlike manner with their boards of directors, which directorates shall be composed of company officials, substantial stockholders, and expert "professional" directors. And that until this ideal can be achieved the best practical means of insuring good practice lies in *publicizing the facts*.

which will facilitate the revival and growth of world trade.

"The United Nations have shown that they regard international monetary and financial problems as an international responsibility that can be dealt with by cooperation through the Fund and the Bank. By providing stable and orderly exchange arrangements and encouraging productive international investment, the Fund and the Bank will make possible the balanced growth of international trade. Together they can help provide a sound foundation for a prosperous and peaceful world."

1944 Rayon Output 9% Over Last Year

Production of rayon, both yarn and staple fiber, by United States mills totalled 723,900,000 pounds in 1944, states the "Rayon Organon," published by the Textile Economics Bureau, Inc. This output exceeded the previous record 1943 total of 663,100,000 pounds by 9%, it was announced by the Bureau on Jan. 26, its advices further stating:

"Due to the greatly expanded production of rayon tire yarn to over 115,000,000 pounds, viscose plus cuprammonium rayon yarn production increased 13% to 383,500,000 pounds in 1944, compared with a total of 338,500,000 pounds in 1943.

"Acetate rayon yarn output increased 5% from 162,600,000 pounds in 1943 to 171,700,000 pounds in 1944, a figure slightly above the previous record output of 168,900,000 pounds produced in 1942.

"Rayon staple fiber production increased 4% to a new high figure of 168,700,000 pounds in 1944, compared with the 1943 total of 162,000,000 pounds.

"The increased rayon output went principally to rated and programmed uses during 1944. In addition to the tire yarn, these uses included substantial quantities of rated goods for the Armed Forces plus about 40,000,000 pounds of yarn for the silk and nylon replacement program. In addition, there was a 75% increase in rayon exports to the 16,000,000-pound level during 1944."

"The net effect of these trends," states the "Organon," "was an increase of about 5% from 1943 to 1944 in the amount of 'free' rayon yarn available for non-rated and non-programmed civilian uses." But the publication notes that this trend is now being sharply reversed and that the amount of "free" rayon available during the first half of 1945 will be the smallest during the war period to date.

Calendar Of New Security Flotations

OFFERINGS

CARRIERS & GENERAL CORP. has filed a registration statement for $1,872,000 15-year 3¾% debentures due Feb. 1, 1960. Net proceds from the sale with other funds will be utilized for the redemption in March, next, of $1,872,000 15-year 5% debentures due Nov. 1, 1950, at 105 plus accrued interest. Underwriters are Paine, Webber, Jackson & Curtis, $1,272,000; Eastman, Dillon & Co., $400,000; H. C. Wainwright & Co., $100,000, and Brush, Slocumb & Co., $100,000. Filed Jan. 20, 1945. Details in "Chronicle," Jan. 25, 1945.

Offered Feb. 10 at 101 and interest.

DELTA AIR CORP. has filed a registration statement for 102,424 shares of common stock (par $3). It is expected that proceeds will be used in the acquisition of additional flight, communications and other equipment, the construction of hangers, the purchase of machinery, and other facilities in connection with its present routes, and such new routes as may hereafter be acquired or participated in by the company

Offered Feb. 13 at $22.50 per share by Courts & Co., Hemphill, Noyes & Co., Van Alstyne, Noel & Co. and W. E. Hutton & Co.

KING-SEELEY CORP. has filed a registration statement for 100,000 shares of 5% cumulative convertible preferred stock ($20 par). Proceeds will be used for repayment of $214,393 3½% notes, due Aug. 30, 1945, the acquisition of all of the remaining outstanding shares of common stock of Central Specialty Co. or otherwise to acquire the business and assets of Central, to improve its own and Central's plants and for additional working capital. F. Eberstadt & Co., and Watling, Lerchen & Co., are named principal underwriters. Filed Jan. 17, 1945. Details in "Chronicle," Jan. 25, 1945.

Offered Feb. 9 at $20 per share and dividend by F. Eberstadt & Co. and Watling, Lerchen & Co.

NATHAN STRAUS-DUPARQUET, INC., has filed a registration statement for 25,000 shares of 6% cumulative convertible preferred stock, par $25. The shares are issued and outstanding and do not represent new financing by the company. To be presently offered at $25.75 per share, 19,592 shares.

Offered Feb. 9 at $25.75 per share by Allen & Co.

SENTINEL RADIO CORP. has filed a registration statement for 150,000 shares of common stock (par $1). Of the total 75,000 shares are being sold by corporation and 75,000 shares by Ernest Alschuler, President, Treasurer and Director. Company will add its share of proceeds to its working capital to be used in general to finance operations, inventories and accounts receivable incident to the company's business. The underwriters are Blair & Co., Inc., Sulzbacher, Granger & Co., Maxwell, Marshall & Co., Shillinglaw, Crowder & Co., Inc., Brailsford & Co. and Straus & Blosser. Filed Jan. 24, 1945. Details in "Chronicle," Feb. 1, 1945.

Offered Feb. 14 at $7.25 per share.

TRI-CONTINENTAL CORP. has filed a registration statement for $7,360,000 3½% debentures due Feb. 1, 1960. Net proceeds will be used, together with other funds of the company, to redeem $2,460,000 5% convertible debentures, series A, at 103½ plus interest and to retire $4,900,000 of bank loans. Underwriters are Union Securities Corp., Blyth & Co., Inc., Goldman, Sachs & Co., Hornblower & Weeks, Kidder, Peabody & Co., Mellon Securities Corp., Stone & Webster and Blodget, Inc., W. C. Langley & Co., A. C. Allyn & Co., Inc., Reynolds & Co., E. H. Rollins & Sons, Inc., McDonald & Co., Ames, Emerich & Co., Inc., Boettcher & Co. and Kuhn Loeb & Co. Filed Jan. 25, 1945. Details in "Chronicle," Feb. 1, 1945.

Offered Feb. 14 at 102 and interest.

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

THURSDAY, FEB. 15

CENTRAL TELEPHONE CO. on Jan. 27 filed a registration statement for 35,000 shares of $2.50 cumulative preferred stock, series A (no par), stated value $50 per share. All of the shares registered are issued and outstanding and are owned by Central Electric & Gas Co. (parent).

Details—See issue of Jan. 27, 1945.

Offering—Price to be supplied by amendment.

Underwriters—Paine, Webber, Jackson & Curtis and Loewi & Co.

A. P. W. PRODUCTS CO., INC. on Jan. 27 filed a registration statement for $2,000,000 20-year 5% first mortgage sinking fund bonds and 40,000 shares of capital stock (par $5).

Details—See issue of Feb. 1, 1945.

Offering—Holders of outstanding $2,000,000 20-year 6% first mortgage sinking fund bonds due 1948 are given the privilege of tendering their bonds for redemption as of April 1, 1945 at 102½ and interest, or, in the alternative, to assent to an extension of the maturity date to April 1, 1965 and the reduction of interest to 5% per annum and to receive in consideration for such extension $25, the amount equivalent to the 2½% redemption premium, and in addition 20 shares of the company's ($5 par) common stock. The extension offer will expire at noon Feb. 26, 1945. Bonds not tendered for extension will be redeemed at 102½ and accrued interest to April 1, 1945. After the expiration of the extension offer, an amount equal to the unextended 6% bonds are to be offered to the public by the underwriters at the initial offering price of $1,000 "per unit" consisting of $1,000 20-year 5% first mortgage sinking fund bond and 20 shares of common stock.

Underwriters—Allen & Co., Bond & Goodwin, Inc., E. W. Clucas & Co., R. H. Johnson & Co., Schoellkopf, Hutton & Pomeroy, Inc., Buckley Brothers, George R. Cooley & Co., Inc., Brailsford & Co., and Ferris, Exnicios & Co.. Inc.

HERFF JONES CO. on Jan. 27 filed a registration statement for 60,000 shares of class A preference stock, par $1. The shares are issued and outstanding and do not represent new financing.

Details—See issue of Feb. 8, 1945.

Offering—The offering price is $10 per share.

Underwriters—Cities Securities Co., Indianapolis, is the principal underwriter.

SATURDAY, FEB. 17

ACME ALUMINUM ALLOYS, INC. on Jan. 29 filed a registration statement for 185,000 shares of common stock (par $1) and 40,000 shares of $1.10 cumulative convertible preferred (par $17.50).

Details—See issue of Feb. 1, 1945.

Offering Price—Offering price of preferred stock is given at $20.75 per share and of common at $8 per share.

Underwriters—Reynolds & Co., and Gillen & Co.

WEDNESDAY, FEB. 21

BENDIX HELICOPTER, INC. on Feb. 2 filed a registration statement for 1,400,000 shares of capital stock, par value 50 cents.

Details—See issue of Feb. 8, 1945.

Offering—Of shares registered 1,000,000 are to be offered presently proportionately to holders of outstanding stock on basis of four additional shares for each five shares held at $1.60 per share; 200,000 shares are reserved to be issued when, as and if certain outstanding options are exercised, and 200,000 additional shares are reserved to be issued when, as and if certain stock option warrants to be issued by the corporation to the underwriters are exercised. Such shares of stock as are not subscribed for by the stockholders will be offered to the public by the underwriters at $2 per share.

Underwriters—Kobbe, Gearhart & Co., Inc., and Bond & Goodwin, Inc., are named principal underwriters.

THURSDAY, FEB. 22

SAVANNAH-ST. AUGUSTINE GAS CO. on Feb. 3 filed a registration statement (No. 2-5582) for 6,250 shares of 5% cumulative preferred stock, par $100, and 30,000 shares of common stock, par $10.

Details—See issue of Feb. 8, 1945.

Offering—Offering price of preferred is $100 per share and that of common $15 per share.

Underwriters—Clement A. Evans & Co., Inc.; Johnson, Lane, Space & Co., Inc.; Robinson-Humphrey Co.; Courts & Co.; Varnedoe, Chisholm & Co., Inc.; Putnam & Co.; Kirchofer & Arnold, Inc.; Milhous, Martin & McKnight, Inc., and J. H. Hilsman & Co., Inc.

SATURDAY, FEB. 24

DIANA STORES CORP. has filed a registration statement for 40,000 common stock purchase warrants and 40,000 shares of common stock par value $1 per share, issuable pursuant to these warrants.

Address—519 Eighth Avenue, New York City.

Business—Operates a chain of 26 retail stores in six southeastern states in which it sells women's and misses' wearing apparel, etc.

Offering—The 40,000 common stock purchase warrants being offered by the prospectus are issued and outstanding and are not offered by and for the account of the company. The company is offering 40,000 shares of common issuable upon the exercise of the stock purchase warrants and the payment to the company of $7 per share. The prospectus also covers the warrants held by present warrant holders or the shares of stock they may acquire upon exercise of the warrants.

Proceeds—The company will receive approximately $280,000 from the proceeds of the sale of the common shares which will be used for general corporate purposes.

Underwriters—Not named.

Registration Statement No. 2-5583. Form S-2. (2-5-45).

TUESDAY, FEB. 27

BENSON AND HEDGES have filed a registration statement for 30,000 shares of common stock (no par).

Address—435 Fifth Avenue, New York City.

Business—Manufacture and sale of cigarettes and smoking tobacco and sale of cigars, etc.

Offering—The company is offering the 30,000 shares of common stock to the holders of its outstanding $2 cumulative convertible preferred stock and to the holders of its common stock for subscription at the rate of one share of common for each two shares of stock, preferred or common, held on Feb. 27, 1945, at the price of $25 per share. Tobacco and Allied Stocks, Inc., which owns a majority of the outstanding voting stock of the company, has expressed its intention of exercising its subscription rights and in addition has agreed to subscribe for all of the shares of common not subscribed for by the other stockholders at $25 per share. The agreement with its parent made it unnecessary for the company to enter into any underwriting agreement.

Proceeds—Will be used as additional working capital which may be used to reduce indebtedness to banks or suppliers or for any general corporate purposes.

Underwriters—None named.

Registration Statement No. 2-5584. Form S-2. (2-8-45).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

ARKANSAS-MISSOURI POWER CORP. on Dec. 4 filed a registration statement for $2,000,000 first mortgage bonds, series A, 3⅛%, due Dec. 1, 1974.

Details—See issue of Dec. 7, 1944.

Offering—The bonds will be offered for sale at competitive bidding.

CENTRAL OHIO LIGHT & POWER CO. on Dec. 28 filed a registration statement for 11,972 shares of preferred stock, cumulative ($100 par). The dividend rate will be filed by amendment.

Details—See issue of Jan. 4, 1945.

Offering—Company proposes to invite proposals for services to be rendered to it in obtaining acceptances of the exchange offer of new preferred stock for old preferred and for the purchase from it of such of the 11,972 shares as are not exchanged pursuant to the exchange offer.

DALTON HOTEL CORP. has filed a registration statement for 4,932 shares of common stock (par $5). The shares are to be issued in exchange for a like number of units of beneficial interest in the Dalton Hotel Liquidation Trust. No underwriters. Filed Jan. 22, 1945. Details in "Chronicle," Jan. 25, 1945.

Registration statement withdrawn Feb. 10, 1945.

FLORIDA POWER CORP. on July 21, 1944 filed a registration statement for 40,000 shares cumulative preferred stock (par $100). The dividend rate will be supplied by amendment.

Details—See issue of July 27, 1944.

Offering—Stock is to be offered for sale by the company pursuant to Commission's competitive bidding Rule U-50.

Underwriters—Names of underwriters will be filed by post-effective amendment. The successful bidder will name the dividend rate on the stock.

GENII CORP. on Dec. 23, 1944 filed a registration statement for 1,868 shares of common stock.

Details—See issue of Jan. 4, 1945.

Underwriters—Company plans to sell the securities registered direct to the public without the assistance of underwriters or dealers.

Offering Price—Offering price is $100 per share.

NATIONAL PRESSURE COOKER CO. on Dec. 19 filed a registration statement for 150,000 shares of common stock (par $2).

Details—See issue of Dec. 28, 1944.

Offering—Stock will be offered to common stockholders of record on Jan. 25, 1945, in the ratio of one and one-half shares for each share of stock held at $15 per share. Subscription rights expire Feb. 25.

NORTHERN PENNSYLVANIA POWER CO. on Jan. 26 filed a registration statement for $4,000,000 first mortgage bonds due 1975.

Details—See issue of Feb. 1, 1945.

Competitive Bidding—The bonds are to be sold under the Commission's competitive bidding rule, with the interest rate to be named by the successful bidder.

Underwriters—To be named by amendment.

OHIO WATER SERVICE CO. on Dec. 7 filed a registration statement for 80,880 shares of common stock, par $10. The shares are now outstanding and are being sold by Federal Water & Gas Corp.

Details—See issue of Dec. 14, 1944.

Underwriters—Otis & Co. are principal underwriters.

OKLAHOMA GAS & ELECTRIC CO. on Jan. 18, 1945 filed a registration statement for $35,000,000 first mortgage bonds, due Feb. 1, 1975.

Details—See issue of Jan. 25, 1945.

Offering—Bonds are to be sold by the company under the Commission's competitive bidding rule.

Underwriters—Names of the underwriters will be named by amendment.

Bids Requested—Bids for purchase of issue will be received by company at Room 1100, 231 South La Salle St., Chicago 4, Ill., up to 11 a.m. CWT, Feb. 19. Interest rate is to be specified by bidder.

OLD STAR DISTILLING CORP. on Aug. 14, 1944 filed a registration statement for 5,000 shares of $100 preferred stock, non-cumulative and non-participating. Price to public will be $110 per share.

Details—See issue of Aug. 24, 1944.

Underwriters—No underwriter named.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

New highs were again registered in the Government bond market, although the taxable issues gave up some of their gains near the end of the week. . . . The fact that these issues have shown a sidewise movement with some declines in the past 10 days may indicate that upward trend in these obligations has about run its course. . . . There is evidence that several of the factors which have been responsible for the recent sharp advance in the market will have to be clarified before some institutions will be making sizable commitments at these levels. . . . One of the most repeatedly-asked question in Government bond market circles is, "What issues are to be certainties in the next War Loan basket?" . . . There is no positive way of clearing up this doubtful situation at the present time, but the best informed and the most sound-thinking followers of the Government bond market and Treasury financing state that these issues are sure to be offered in the coming War Loan Drive:

(1) Series E, F & G Bonds.
(2) ⅞% Certificates of Indebtedness.
(3) 2½% Long-term Bonds. The maturity of this 2½% bond will be somewhat longer than the previous issues.

INTERMEDIATE RATE

Another question that has the financial experts at their wits-end is, "What about the coupon rate on the intermediate term bonds. . . .

It is indicated that if the Seventh War Loan Drive were to take place now the Treasury could most certainly issue an obligation with a lower coupon rate than 2%. However, conditions that will prevail at the time of the next drive cannot be forecast now, and whether a 2% or a lower coupon issue is offered will be determined by market levels at that time. . . .

If the institutions continue to believe there is going to be a scarcity of Government bonds in the future and bid up prices for the outstanding issues, as they have been doing, then the Treasury in the next financing will be forced to offer an intermediate-term bond with a lower coupon rate than 2%, some sources say. . . .

Another point of concern is indicated in this query, "Will there be an offering of intermediate-term bonds in the next drive?" . . . In some quarters the opinion is held that there may not be an intermediate-term bond in the next financing, but a shorter maturity obligation will be offered that would not be attractive to certain institutions. . . .

These institutions would then have to concentrate their purchases in the long-term 2½% bonds which, it is indicated, the Treasury is desirous of having them buy and hold as investments. . . .

INDIVIDUAL SELLERS

The February "Review" of the Federal Reserve Bank of New York points out the following: "Among the major suppliers of the new 2% bonds were institutional investors which had acquired them at par during the Sixth Drive largely with the proceeds of sales to the banks of earlier issues of Treasury bonds. . . .

"In disposing of their Sixth War Loan securities, some of these investors repurchased the earlier issues, in effect securing a net profit amounting to a large part of the premium on the Sixth Loan Bonds." . . .

The undesirable aspects of this procedure were outlined in the January, 1945, issue of the "Review" of the Federal Reserve Bank of New York. . . .

Despite these various views in the market, there is no doubt but what the Government will still be large sellers of their obligations for a long time to come, and there will be plenty of securities for the banks and institutions to buy in the future. . . . Interest rates will remain low and any bond the Government offers will not go below 100, whether it be a 2% or a 1¾% issue. . . .

The following switch has been recommended by some of the dealers:

Sell—			
2%	due	3-15-48-50	@ 102.6
1¾%	due	6-15-48	@ 101.18
Buy—			
2%	due	6-15-52-54	@ 101.14
2%	due	12-15-52-54	@ 101.13

It was pointed out that the shorter term issues have about run their course on the yield curve whereas the longer 2% will eventually go to 102, and thus offers better appreciation possibilities. . . .

Some portfolio managers do not agree with this exchange, since they feel that stability in price is the important factor for the near future, and they point out that the shorter term issues, the 2% due 3-15-48/50 and the 1¾% due 6-15-48 will be more stable than the 2% due 1952/54. Accordingly they believe that a reversal of this switch is advisable at this time. . . .

It is also reported that profits are being taken in the taxable intermediate 2% and 2½% issues, with the proceeds being invested in the June 1 certificates. . . .

PARTIAL EXEMPTS IN DEMAND

The partially exempt issues went into new high ground last week with the largest gains being made in the 2¾% due 12-15-60-65 which closed at 113.22, an advance of 10/32. . . . At present levels, institutions that do not need tax exemption are looking at this section of the market with a great desire to sell, but it is indicated that they will do nothing until there is more certainty about the issues to be offered in the next financing.

However, if one must have tax protection, the most attractive issues still are the 2¾% due 6-15-58-63 and the 2¾% due 12-15-60-65, with the latter seen the better buy of the two.

Earl Godbold Partner In Mosle & Moreland

Will Open Houston Office

ST. LOUIS, MO.—Earl W. Godbold, for many years manager of the Municipal Bond Department of Goldman, Sachs & Company's St. Louis office, has resigned to become a partner of Mosle and Moreland, Investment Dealers of Galveston, Texas. He will open an office for the firm in Houston. His departure from the "Olive Street Scene" will be regretted by his wide circle of friends in the business, particularly the "after the opening coffee crowd" where his ever ready "wit" never failed to produce the much-needed morning lift.

Lowell Overlock Now in Hutton L. A. Branch

LOS ANGELES, CALIF.—Lowell Winfield Overlock is now with the Los Angeles office of E. F. Hutton & Company at 623 South Spring Street. Mr. Overlock, who has been with the firm for many years, was formerly one of the managers of the El Paso office.

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Connecticut and Michigan Securities Sections on page 726; Missouri on page 725.

Pictures of Philadelphia Investment Traders Association 21st Annual Mid-Winter Dinner on pages 722, 723 and 724.

Final Edition ESTABLISHED OVER 100 YEARS In 2 Sections—Section 2

The Commercial and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 161 Number 4360 New York, N. Y., Thursday, February 15, 1945 Price 60 Cents a Copy

The Financial Situation

"Small business" has become a fetish in this country, and many of the proposals now being made in its behalf or professedly for its benefit have all the innate qualities of a public menace. Let there be no misunderstanding of what is being said here. What is popularly known as "small business," that is, the thousands, yes the hundreds of thousands, of small, local business enterprises, incorporated or not, scattered throughout the length and breadth of the land, contribute in many ways the backbone of the American economic system. It is through them in large part that giant manufacturing corporations distribute their products to the consumers. It is they who perform the thousand and one services that the localities in which they are situated want and could get satisfactorily only from local talent intimately acquainted with the needs of their neighbors. In the hearts of such "small business men," the true spirit of independence and self reliance that has historically characterized the American scene is nourished and perpetuated. It would scarcely be too much to say that as these small enterprises flourish and prosper so America prospers and flourishes.

Why They Are Indispensable

But it is precisely because these small business men are able to stand on their own feet, because they want above all else to stand on their own feet, and because, by and large, they can and do give back to the public as much as or more than they take from the public, that they constitute a solid foundation for our free American enterprise system. If now they are to be persuaded to eat out of the hand of the politician, and are presently to find themselves in a position which requires them to sneeze when the politician takes snuff—if this were to happen to them they would not long remain of inestimable value to the American nation. If they were to sell their independence of action for the messes of pottage that are now being offered them they would soon sink to a position in the community which they themselves have

(Continued on page 748)

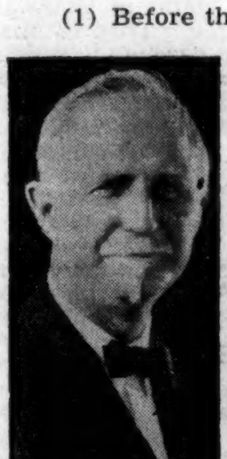
Post-War Opportunities

Roger W. Babson Makes Suggestions for Servicemen

BABSON PARK, FLA.—Neither parents nor servicemen now realize the new conditions which they must face in the post-war era. The boys must not expect to find, upon their return, the same opportunities which existed when they were drafted.

War Reverses the Rules

(1) Before this war, it was bad to unfairly kill one's enemy; but now it is good to kill the enemy in any way and under any conditions. (2) Before this war it was good to create things, but now it is good to destroy things. (3) Before this war it was undesirable to regiment and desirable to have individual liberty, but now it is desirable to regiment and undesirable to have individual liberty. (4) Before this war it was popular for the Government to restrain expenditures, but now it is popular for the Government to increase expenditures. (5) Before this war it was wise to allow interest rates to rise to curb booming output, but now it is wiser to keep interest rates down and produce beyond "capacity."



Roger W. Babson

(6) Before this war it was natural for stock prices to boom with business, but now it is more natural for stock prices to disregard wartime earnings. (7) Before this war it was best to allow commodity prices to seek their supply-demand level, but now it seems wise to ration commodities and control prices. (8) Before this war we could wait and allow God's justice to shine in due time, but now it appears necessary for us to completely upset American ways and principles.

If I Were Young

The greatest developments of the future will be along creative lines, possibly in connection with foods as researchers or small manufacturers or sales agents. If I were about to go to college today, I would specialize in biological chemistry, or I would connect myself with either a pharmaceutical concern or a fertilizer corporation with the ultimate idea

(Continued on page 754)

Legal Aspects of Silver Policies Of the United States

By NEIL CAROTHERS and FREDERICK A. BRADFORD*
Lehigh University, Bethlehem, Pa.

Asserting That Silver Currency Legislation Has Been a Series of Legal Subterfuges to Promote Private Interests, Lehigh University Economists Contend That Bimetallism Has Not Existed in the U. S. Since 1937, and That the Silver Dollar Was Never Actually a "Standard Coin" Despite the Passage of the Bland-Allison and the Sherman Silver Purchase Acts. They Attack the Legality of President Roosevelt's Proclamation Which Nationalized Newly Mined Silver in 1933 and Condemn Its Subsequent Validation by Congress as Unconstitutional. The Silver Purchase Act of 1934 Is Characterized as a Surrender to the Silver Interests and as an Incredible Monstrosity Since It Has Given Silver Bullion Five Different and Distinct Values.

It should be said at the outset, by way of confession and avoidance, that a study of the legal as-

Neil Carothers F. A. Bradford

pects of silver as money in America presents no legal problems of national significance. A study of the legal aspects of silver can be only a description of the legal subterfuges which government must adopt when it embarks on a policy of using our money system to subsidize a private interest.

The silver measures of the United States government over the past seventy-five years have been indefensible on any grounds whatever. They have not been measures aimed at solving monetary problems. They have been concessions to organized political pressure. Not all executive administrations of our country have faced the full force of this political pressure. The silver interests have usually been quiescent in times of mining prosperity. They have been most rapacious in time of war and depression, particularly in the administrations of Presidents Hayes, Harrison, Cleveland, Wilson, Hoover and Franklin Roosevelt. Of these chief executives, Hayes fought them but was overcome. Hoover resisted them all the time he was in office. Cleveland is the only President who fought them and whipped them. Only one administration in our history completely surrendered to them.

An understanding of these political aspects is essential to any explanation of the legal aspects. Unfortunately an understanding of the history of our money and of the technical facts of silver coinage is also essential. We are driven perforce to rake the dry bones of monetary history and to delve into the most perplexing technicalities. Before we are done we will resemble Einstein in the story of the college professor who said to his class: "Only ten men in the world understand the Einstein theory," and a voice from the rear benches said: "Yes and Einstein's not one of them."

Silver Legislation

When Alexander Hamilton established our coinage system in 1792 he made it bimetallic, at a ratio of 15 to 1, with a silver dollar of 371¼ grains of pure silver. The new system was a failure. The nation depended for its money on foreign coins from Mexico and Peru. In 1806 Jefferson stopped the coinage of silver dollar pieces, as all of them had gone to the West Indies. By laws of

(Continued on page 750)

*A paper read by Prof. Bradford before the Institute on Money and the Law, New York City, January 15, 1945.

GENERAL CONTENTS

Editorial

*Not available this week.

From Washington Ahead of the News

By CARLISLE BARGERON

When you talk with members of Congress day after day, learn their bewilderment about the future, you become convinced that the American people are in the most peculiar state of any people in all history. Other people have suffered more, of course. But they are used to suffering. They have known little else. We were a people riding high. We could even take wars in our stride, conduct them in pretty much luxury.

Carlisle Bargeron

But now we have gone in for "leadership," in for one man to take care of us, and that man has become bored with us. This is to say that Roosevelt, in the opinion of most members of Congress, has now become wholly unconcerned about domestic affairs. He played with them over a period of eight years, from 1933 through 1940, and to a lesser extent since 1940 until now he has become wholly disinterested in them.

We have just been through an amazing episode, bearing in mind the one-man government which we have had. Not only did Mr. Roosevelt go away to meet Churchill and Stalin, but he took the other big-shot, home-front men with him. He took Harry Hopkins, he took Jimmy Byrnes, he sent Sammy the Rose Rosenman away on another jaunt. He took Ed Stettinius, as he should have. He even took Anna Boettinger, his daughter, about whom we were just beginning to read, that she was exercising an increasing influence over affairs. Out of the Bronx he took Ed Flynn.

The plain facts are that for a period of several weeks the Washington correspondents, for sheer deviltry, we imagine, have been daily trecking to the White House to banter Jonathan Daniels, the New White House press secretary, as to what was going on. Washington, the great capital of the world, was about the most un-

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Report on "Big Three" Crimea Conference—Act to Destroy German Militarism and Nazism

The objectives of the "Big Three" conference held between President Roosevelt, Prime Minister Churchill of Great Britain, and Premier Stalin of Russia were made known in a report thereon made public at Washington on Feb. 12. The conferences were held near Yalta, in the Black Sea area, and the report was preceded by an announcement made public at Washington, London and Moscow on Feb. 7, as follows:

"The President of the United States of America, the Premier of the Soviet Union and the Prime Minister of Great Britain, accompanied by their chiefs of staff, the three Foreign Secretaries and other advisers, are now meeting in the Black Sea area.

"Their purpose is to concert plans for completing the defeat of the common enemy and for building, with their allies, firm foundations for a lasting peace. Meetings are proceeding continuously.

"The conference began with military discussions. The present situation on all the European fronts has been reviewed and the fullest information interchanged. There is complete agreement for joint military operations in the final phase of the war against Nazi Germany. The military staffs of the three governments are now engaged in working out jointly the detailed plans.

"Discussions of problems involved in establishing a secure peace have also begun. These discussions will cover joint plans for the occupation and control of Germany, the political and economic problems of liberated Europe and proposals for the earliest possible establishment of a permanent international organization to maintain peace.

"A communique will be issued at the conclusion of the conference."

The report deals not only with the plans for the defeat of Germany, its occupation and control, etc., but also with the establishment of "a general international organization to maintain peace and security." Recommendations as to the liberated peoples of Europe, Poland and Yugoslavia are also covered in the report, and plans for maintaining and strengthening peace are reaffirmed. A supplemental agreement concerning prisoners liberated by the Allies' forces invading Germany accompanies the report. The following is the report and agreement as released at the White House Feb. 12, and given in Associated Press advices from Washington published in the New York "Times":

Report of Crimea Conference

For the past eight days Winston S. Churchill, Prime Minister of Great Britain; Franklin D. Roosevelt, President of the United States of America, and Marshal J. V. Stalin, Chairman of the People's Commissars of the Union of Soviet Socialist Republics, have met with the Foreign Secretaries, Chiefs of Staff and other advisers in the Crimea.

In addition to the three heads of government, the following took part in the conference:

For the United States of America:

Edward R. Stettinius Jr., Secretary of State;

Fleet Admiral William D. Leahy, U. S. N., Chief of Staff to the President;

Harry L. Hopkins, Special Assistant to the President;

Justice James F. Byrnes, Director Office of War Mobilization and Reconversion;

General of the Army George C. Marshall, U. S. A., Chief of Staff United States Army;

Fleet Admiral Ernest J. King, U. S. N., Chief of Naval Operations and Commander in Chief United States Fleet;

Lieut. Gen. Brehon B. Somervell, Commanding General, Army Service Forces;

Vice Admiral Emory S. Land, War Shipping Administrator;

Maj. Gen. L. S Kuter, U. S. A., Staff of Commanding General, U. S. Army Air Forces;

W. Averell Harriman, Ambassador to the U. S. S. R.;

H. Freeman Matthews, Director of European Affairs, State Department;

Alger Hiss, Deputy Director Office of Special Political Affairs, Department of State;

Charles E. Bohlen, Assistant to the Secretary of State, together with political, military and technical advisers.

For the United Kingdom:

Anthony Eden, Secretary of State for Foreign Affairs;

Lord Leathers, Minister of War Transport;

Sir A. Clark Kerr, H. M. Ambassador at Moscow;

Sir Alexander Cadogan, Permanent Undersecretary of State for Foreign Affairs;

Sir Edward Bridges, Secretary of the War Cabinet;

Field Marshal Sir Alan Brooke, Chief of the Imperial General Staff;

Marshal of the Royal Air Force Sir Charles Portal, Chief of the Air Staff;

Admiral of the Fleet Sir Andrew Cunningham, First Sea Lord;

General Sir Hastings Ismay, Chief of Staff to the Minister of Defense; together with

Field Marshal Alexander, Supreme Allied Commander, Mediterranean theatre;

Field Marshal Wilson, head of the British Joint Staff Mission at Washingotn;

Admiral Somerville, Joint Staff Mission at Washington, together with military and diplomatic advisers.

For the Soviet Union:

V. M. Molotoff, People's Commissar for Foreign Affairs of the U. S. S. R.;

Admiral Kuznetsoff, People's Commissar for the Navy;

Army General Antonoff, Deputy Chief of the General Staff of the Red Army;

A. Y. Vyshinski, Deputy People's Commissar for Foreign Affairs of the U. S. S. R.;

I. M. Maisky, Deputy People's Commissar of Foreign Affairs of the U. S. S. R.;

Marshal of Aviation Khudyakoff;

F. T. Guseff, Ambassador in Great Britain;

A. A. Gromyko, Ambassador in the United States.

The following statement is made by the Prime Minister of Great Britain, the President of the United States of America, and the Chairman of the Council of People's Commissars of the Union of Soviet Socialist Republics on the results of the Crimean conference:

The Defeat of Germany

We have considered and determined the military plans of the three Allied Powers for the final defeat of the common enemy. The military staffs of the three Allied nations have met in daily meetings throughout the conference. These meetings have been most satisfactory from every point of view and have resulted in closer coordination of the military effort of the three Allies than ever before. The fullest information has been interchanged. The timing, scope and coordination of new and even more powerful blows to be launched by our armies and air forces into the heart of Germany from the east, west, north and south have been fully agreed and planned in detail.

Our combined military plans will be made known only as we execute them, but we believe that the very close-working partnership among the three staffs attained at this conference will result in shortening the war. Meetings of the three staffs will be continued in the future whenever the need arises.

Nazi Germany is doomed. The German people will only make the cost of their defeat heavier to themselves by attempting to continue a hopeless resistance.

The Occupation and Control of Germany

We have agreed on common policies and plans for enforcing the unconditional surrender terms which we shall impose together on Nazi Germany after German armed resistance has been finally crushed. These terms will not be made known until the final defeat of Germany has been accomplished. Under the agreed plan the forces of the three Powers will each occupy a separate zone of Germany. Coordinated administration and control have been provided for under the plan through a central control commission consisting of the Supreme Commanders of the three Powers, with headquarters in Berlin. It has been agreed that France should be invited by the three Powers, if she should so desire, to take over a zone of occupation and to participate as a fourth member of the control commission. The limits of the French zone will be agreed by the four governments concerned through their representatives on the European Advisory Commission.

It is our inflexible purpose to destroy German militarism and Nazism and to insure that Germany will never again be able to disturb the peace of the world. We are determined to disarm and disband all German armed forces; break up for all time the German General Staff that has repeatedly contrived the resurgence of German militarism; remove or destroy all German military equipment; eliminate or control all German industry that could be used for military production; bring all war criminals to just and swift punishment and exact reparation in kind for the destruction wrought by the Germans; wipe out the Nazi party Nazi laws, organizations and institutions; remove all Nazi and militarist influences from public office and from the cultural and economic life of the German people; and take in harmony such other measures in Germany as may be necessary to the future peace and safety of the world. It is not our purpose to destroy the people of Germany, but only when Nazism and militarism have been extirpated will there be hope for a decent life for Germans, and a place for them in the comity of nations.

Reparation by Germany

We have considered the question of the damage caused by Germany to the Allied Nations in this war and recognized it as just that Germany be obliged to make compensation for this damage in kind to the greatest extent possible. A commission for the compensation of damage will be es-

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Dewey Urges Full Participation For World Peace Organization

In Washington Address, He Pleads for Full Non-Partisan Support to Prevent Future Wars, and Full Participation of U. S. in Shaping International Political Settlements. Says Decisions Should Not Be Made in the Cynical Spirit of Power Politics, But in Harmony With Our American Ideals. Criticises Our Quiescent Attitude Regarding the Balkans.

Governor Thomas E. Dewey, in the first major political address since the election, delivered in Washington on Feb. 8, urged wholehearted co-operation of all parties at home in supporting a vigorous foreign policy to bring about a world peace organization. He advocated a more direct and immediate participation of the United States in the settlement of European affairs and insisted that decisions "should not be made in the cynical spirit of power politics," but they "should be in harmony with our American ideals." He cautioned against permitting the trend toward totalitarianism to continue in our domestic policies as destructive of our democratic ideals and denounced the "spending of the nation into bankruptcy."

Thomas E. Dewey

The text of his complete address follows:

At this Lincoln Day dinner we Republicans traditionally take stock of ourselves. We ask ourselves how far we have strayed from the fundamentals of our political faith. We rededicate ourselves to the eternal principles of human freedom for which the name of Lincoln stands.

It is particularly important that we re-examine our faith after a national election. It fell to us to conduct a campaign when our country was engaged in the greatest war of all history. That was a grave and difficult responsiblity for an opposition party, because any campaign has within it the dangers of divisions on national purposes. Instead, the campaign made it clear to all the world that the united determination of the people of America to fight the war to total victory was greater than ever before. Moreover, our will to build a lasting peace was lifted by our party above partisanship, and we made a lasting contribution toward the actual building of the structure for international peace.

At the same time we vigorously performed our duty as the party of the opposition in pointing out the defects in the policies of the present Administration and the startling contradictions between its promises and its performances.

Republicans to Carry on

As Americans we accept with good grace the verdict of the majority. As members of the party of opposition we shall stanchly carry forward the banner of our political faith. There are 22,000,000 of us—nearly 48% of the voters—who believe today in that political faith.

We have no excuse for existence as a political party—we have no excuse for our service in public office—unless we are deeply conscious of the overwhelming tragedy which stalks the world today. The normal life of a majority of the people of the world has either been uprooted or its natural development set back. Tens of millions of young men have been giving their most productive years to warfare. An appalling number of them will come back to their homes with deep scars, and many will never come home.

Over almost every home in our land there is a sense of brooding fear or of irreparable loss. At the same time there is a gallant courage and determination in the heart and mind of every American to beat down the forces of evil and this time to keep them down.

Certainly this is the time for re-examination and re-affirmation of the things we believe in. It is the time to cast aside those things that are not fundamental and to re-affirm those things that are true.

Freedom Cannot Continue with Periodic War

It is increasingly clear to every one that neither justice nor freedom can long continue to exist in a world beset by periodic total wars. Modern warfare strikes down the youth of the world. It also strikes at the heart of freedom itself. By its very nature it forces even freedom-loving countries to regiment their people in order to fight total war.

Moreover, the terrifying developments of science have made war no longer a matter between next-door neighbors. We have learned to our sorrow that aggression anywhere in the world endangers all the rest of the world. We now know that, in the future, aggression will be possible by air from bases thousands of miles away. If there is an aggressor anywhere in the world, all of us are his imperiled neighbors.

It is obvious that we cannot and must not risk another great war. It is equally obvious that aside from adequate military forces and bases for our defense in the future our only hope of avoiding war lies in effective international cooperation for peace.

War is an evil which has scourged mankind from the beginning of time. It is not likely suddenly to disappear from the earth of its own accord. As I have said so often, peace must be waged with all the vigor and skill with which we wage war or we shall always be having to wage war.

U. S. Must Take Responsible Part for World Security

We have nailed to our masthead one principle to which I believe we must everlastingly adhere, or principles will count no more in the face of force. That is, that we, as a nation, can, we will, and we must take a full, responsible part in the establishment of collective security among nations.

The opinion of our people has crystallized. They want the United States to accept its responsibilities for the vital decisions affecting the future of the world. Those who speak for our country need no longer hide behind fine phrases and glittering generalities. There need no longer be any doubt anywhere that the American people are prepared to exercise their great power actively, continuously and effectively in the interest of a just and a lasting peace.

There is now in progress a conference among the three great powers among the United Nations. The results of that conference will go far to determine the course of the rest of the war and the nature of the peace to come. At that conference the President of the United States has, I am sure, the whole-hearted support of both political parties and the prayers of the American people for his

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Roosevelt Asks Congress To Approve Bretton Woods Plans

Urges Proposals Be Enacted as a Cornerstone for International Peace and as Concrete Evidence of Unity of Purpose in the Economic Field. Says Fund and Bank Will Assist in Rehabilitation and Expand Foreign Trade, and That They Together "Represent One of the Most Sound and Useful Proposals for International Collaboration Before Us."

President Roosevelt

On Feb. 12, President Roosevelt submitted to Congress a special message in which he urged "the immediate adoption of the Bretton Woods Agreements" as concrete evidence that the United States is in favor of an international unity of purpose in the economic field.

Official text of the message is as follows:

To the Congress of the United States:

In my budget message of Jan. 9 I called attention to the need for immediate action on the Bretton Woods proposals for an international monetary fund and an international bank for reconstruction and development. It is my purpose in this message to indicate the importance of these international organizations in our plans for a peaceful and prosperous world.

As we dedicate our total efforts to the task of winning this war we must never lose sight of the fact that victory is not only an end in itself but, in a large sense, victory offers us the means of achieving the goal of lasting peace and a better way of life.

Victory does not insure the achievement of these larger goals—it merely offers us the opportunity—the chance—to seek their attainment. Whether we will have the courage and vision to avail ourselves of this tremendous opportunity—purchased at so great a cost—is yet to be determined. On our shoulders rests the heavy responsibility for making this momentous decision. I said before, and I repeat again: "This generation has a rendezvous with destiny."

If we are to measure up to the task of peace with the same stature as we have measured up to the task of war, we must see that the institutions of peace rest firmly on the solid foundations of international political and economic cooperation. The cornerstone for international political cooperation is the Dumbarton Oaks proposal for a permanent United Nations.

International political relations will be friendly and constructive, however, only if solutions are found to the difficult economic problems we face today. The cornerstone for international economic cooperation is the Bretton Woods proposals for an international monetary fund and an international bank for reconstruction and development.

Unity in Economic Field

These proposals for an international fund and international bank are concrete evidence that the economic objectives of the United States agree with those of the United Nations. They illustrate our unity of purpose and interest in the economic field. What we need and what they need correspond—expanded production, employment, exchange and consumption—in other words, more goods produced, more jobs, more trade and a higher standard of living for us all.

To the people of the United States this means real peacetime employment for those who will be returning from the war and for those at home whose wartime work has ended. It also means orders and profits to our industries and fair prices to our farmers. We shall need prosperous markets in the world to ensure our own prosperity, and we shall need the goods the world can sell us. For all these purposes, as well as for a peace that will endure, we need the partnership of the United Nations.

The first problem in time which we must cope with is that of saving life and getting resources and people back into production. In many of the liberated countries economic life has all but stopped. Transportation systems are in ruins and therefore coal and raw materials cannot be brought to factories.

Many factories themselves are shattered, power plants smashed, transmission systems broken, bridges blown up or bombed, ports clogged with sunken wrecks, and great rich areas of farm land inundated by the sea. People are tired and sick and hungry. But they are eager to go to work again, and to create again with their own hands and under their own leaders the necessary physical basis of their lives.

Emergency relief is under way behind the armies under the authority of local Governments, backed up first by the Allied Military Command and after that by the United Nations Relief and Rehabilitation Administration. Our participation in the UNRRA has been approved by Congress. But neither UNRRA nor the armies are designed for the construction or reconstruction of large-scale public works or factories or power plants or transportation systems. That job must be done otherwise, and it must be started soon.

The main job of restoration is not one of relief. It is one of reconstruction which must largely be done by local people and their Governments. They will provide the labor, the local money and most of the materials. The same is true for all the many plans for the improvement of transportation, agriculture, industry and housing, that are essential to the development of the economically backward areas of the world.

Profitable Role for U. S.

But some of the things required for all these projects, both of reconstruction and development, will have to come from overseas. It is at this point that our highly developed economy can play a role important to the rest of the world and very profitable to the United States. Inquiries for numerous materials and for all kinds of equipment and machinery in connection with such projects are already being directed to our industries and many more will come. This business will be welcome just as soon as the more urgent production for the war itself ends.

The main problem will be for these countries to obtain the means of payment. In the long run we can be paid for what we sell abroad chiefly in goods and services. But at the moment many of the countries who want to be our customers are prostrate. Other countries have devoted their economies so completely to the war that they do not have the resources for reconstruction and development.

Unless a means of financing is found, such countries will be unable to restore their economies and, in desperation, will be forced to carry forward and intensify existing systems of discriminatory trade practices, restrictive exchange controls, competitive depreciation of currencies and other forms of economic warfare. That would destroy all our good hopes. We must move promptly to prevent its happening, and we must move on several fronts, including finance and trade.

Quick Action Essential

The United States should act promptly upon the plan for the international bank, which will make or guarantee sound loans for the foreign currency requirements of important reconstruction and development projects in member countries. One of its most important functions will be to facilitate and make secure wide private participation in such loans. The articles of agreement constituting the charter of the bank have been worked out with great care by an international conference of experts and give adequate protection to all interests. I recommend to the Congress that we accept the plan, subscribe the capital allotted to us, and participate whole-heartedly in the bank's work.

This measure, with others I shall later suggest, should go far to take care of our part of the lending requirements of the post-war years. They should help the countries concerned to get production started, to get over the first crisis of disorganization and fear, to begin the work of reconstruction and development; and they should help our farmers and our industries to get over the crisis of reconversion by making a large volume of export business possible in the post-war years.

As confidence returns private investors will participate more and more in foreign lending and investment without any Government assistance. But to get over

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Reciprocal Air Pact By U. S. and Ireland

Announcement of another in the series of reciprocal air transport agreements that eventually will open routes to Europe for American aviation companies, was made known on Feb. 3 with the signing by the United States of a pact with Ireland similar to those concluded earlier with Spain, Sweden, Denmark and Iceland. Advices to the New York "Herald Tribune" on Feb. 3 from its Washington bureau reported that the State Department made public the United States-Ireland agreement as diplomatic sources said that plans were being made for negotiating similar commercial air privileges in Lebanon, which may become one of the most important Middle East air bases on the Europe-to-Asia route. The "Herald-Tribune" advices went on to say:

The United States-Ireland agreement, which was signed at Washington, provides that American air lines may land at Foynes and Rineanna in Ireland to refuel and make repairs and may pick up and discharge international traffic. Similar privileges are granted to Irish air lines "at specific airports in connection with such route or routes as may be determined at a later date."

The agreement, which becomes effective Feb. 15, was signed by William L. Clayton, Assistant Secretary of State, and Robert Brennan, Irish Minister at Washington. The terms of the pact authorize American air lines to make transit and non-traffic stops in Irish territory and to pick up international traffic on routes from the United States "to Ireland and countries beyond."

The State of Trade

The volume of new corporate financing for the month of January was the largest for any month since October, 1944, the total aggregating $315,020,703, as compared with $429,924,540 in October and $160,456,350 in January of last year. The activity for January may be attributed in part to the ending of the Sixth War Loan Drive of November-December, which resulted in the withholding of some substantial issues which otherwise would have found their way into the market. As a result, a large backlog of corporate financing was built up which is expected to come into the investment market in the near future. Of the $315,020,703 emissions in January, a total of $42,740,931, or 13.57%, was for new money and $272,279,772, or 86.43% for refunding purposes. As in prior months the trend of financing still is in the refunding column.

Private financing for the month totaled $56,414,000, consisting of 10 issues and represented 17.9% of the total. This compares with $77,500,000 so placed in December, 1944, or 58.4% of that month's total.

For those of our readers who may be interested in more detailed information concerning new capital flotations in the United States, we refer you to next Monday's issue of the "Chronicle," dated Feb. 19, 1945.

Industrial operations last week were on a reduced scale due in great measure to manpower shortages in critical areas and a disruption of railroad freight shipments. The severe weather contributed its share to curtail output in the week. Most of the weekly barometers to record declines were steel operations, soft coal output, electric kilowatt production and crude oil. Such general business indicators as bank clearings for 23 cities outside of New York, and freight carloadings, similarly declined.

In the commodity markets an irregular trend obtained with the Dun & Bradstreet daily wholesale commodity price index of 30 basic commodities, increasing from 175.12 to 175.22, while the wholesale food price index rose 1 cent to $4.10, the high point for the past two years. Trading volume on the security markets also increased the past week with buying broad and prices on the upgrade.

Steel Industry — Steel order tempo influenced by urgent war requirements approached the boiling point the past week, necessitating the Steel Division of the War Production Board, at presently seriously undermanned by the new emergency, to recall top-notch steel men to assist it over the hump.

A heavier order volume than for several years combined with disrupted production schedules during January, the "Iron Age" reported, worked to produce a more chaotic delivery situation than at any time since the outbreak of war. The critical Chicago district, less severely hit by weather and manpower difficulties, has proved no exception with January, 1946, deliveries being quoted on some items in heavy demand for war programs. Incoming orders, states the magazine, have swept deliveries on most items ahead two to six months during the past 30 days, and new war requirements have made it necessary to sharply increase WPB directives in order to obtain the materials when desired by the Armed Forces. The complications arising from such a situation have caused carryovers to mount at a highly accelerated rate.

Some strip mill sheets are still available for May shipment, the trade paper adds, but more production space on this item is filled up as far as November. Quality carbon bars have been extended from July to November, although regular carbon bar grades are available in May and June. Reflecting the quick change in the flat rolled picture, strip which recently was quoted for May delivery is not now available before August. Other deliveries such as cold rolled sheets have jumped from May to September and October.

As a result of severe weather, freight tieups, and fuel shortages, important steel producers last month failed to meet their minimum production directive goals by as much as 7%. Mills in less affected districts were able to make fair progress, but the industry on an average basis went into February with carryover tonnage approximating 10 days production of all products, the magazine discloses.

Concluding, the "Iron Age" states, "It now appears that the steel industry has been squeezed of its last ton of steel, both for today and tomorrow and for as far into the future as can be appraised. Continued pressure through piling of orders and draining of manpower is not resulting in more steel, but instead threatens to break down the order, distribution, and production structure so that less may be produced."

The American Iron and Steel Institute announced last Tuesday that the operating rate of steel companies (including 94% of the industry) will be 92.8% of capacity for the week beginning Feb. 12, compared with 89.3% one week ago. This week's operating rate is equivalent to 1,673,300 tons of steel ingots and castings, compared with 1,610,800 tons last week and 1,750,000 tons one year ago.

Electric Production—The Edison Electric Institute reports that the output of electricity increased to approximately 4,538,552,000 kwh. in the week ended Feb. 3, 1945, from 4,576,713,000 kwh. in the preceding week. Output for the week ended Feb. 3, 1945, was 0.3% above that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports system output of 195,200,000 kwh. in the week ended Feb. 4, 1945, comparing with 213,800,000 kwh. for the corresponding week of 1944, or a decrease of 8.7%.

Local distribution of electricity amounted to 181,500,000 kwh. compared with 207,600,000 kwh. for the corresponding week of last year, a decrease of 12.6%.

Railroad Freight Loading—Carloadings of revenue freight for the week ended Feb. 3, 1945, totaled 738,680 cars, the Association of American Railroads announced. This was a decrease of 20,190 cars, or 2.7% below the preceding week this year and a decrease of 67,034 cars, or 8.3% below the corresponding week of 1944. Compared with a similar period of 1943, a decrease of 16,834 cars, or 2.2% is shown.

Coal Industry—The Solid Fuels Administration, U. S. Department of the Interior, in its latest report, places total production of soft coal in the week ended Feb. 3, 1945, at 11,360,000 net tons, a decrease of 320,000 tons, or 2.7% from the week previous. Production in the corresponding week of 1944 amounted to 12,850,000 tons.

According to the U. S. Bureau of Mines, output of Pennsylvania anthracite for the week ended Feb. 3, 1945, was estimated at 842,000 tons, a decrease of 117,000 tons, or 12.2% from the preceding week. When compared with the corresponding week in 1944 a decrease of 422,000 tons, or 33.4% is reflected.

Beehive coke for the week ended Feb. 3, 1945, showed an in-

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The Financial Situation

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always scorned. If such special favors as are now being sought for the small business man are really essential for his survival, there is something radically wrong with the conditions as they exist today or threaten to exist with the return of peace.

For our part, we do not believe for a moment that the so-called small business man is doomed if the largesse that is being asked for him is not forthcoming — and, what is more, we do not believe that the rank and file of small business men, once they understand what the inevitable consequences of some of the proposals would be, would for one moment favor them. Many small business enterprises have become many times larger during the past year or two as a result of their participation in the war effort. Many of them — all honor to them—have proved themselves capable, with financial assistance, of adding significantly to the effectiveness with which we have armed ourselves to meet the crisis by which we found ourselves confronted late in 1941. An end of this arming program and a return to peacetime pursuits can scarcely fail to create certain very real problems for many of these small enterprises which must resume their former status of small business. It may or may not be true that it will be necessary for the national government to aid this transition from war to peace as it found it necessary to lend aid in the conversion from peace to war. This, however, is a special situation and anything done to relieve it should be of a strictly temporary nature.

Loans! Loans! Loans!

Most of the current proposals have to do with making loans to small business, or with the supplying of what has become known as "equity capital." The arguments with which many of these programs are supported appear to indicate a plain desire on the part of those making such suggestions that some means be found to stimulate men to start small businesses—a part of the program of finding 60,000,000 jobs after the war. Now this country surely has not reached the stage where its government has to find some way to persuade men to go into business for themselves. If so, then the future is dark indeed! In such an event nothing that government could do would greatly help the situation. A people so deficient in personal initiative and enterprise as would thus be indicated are on the way down and out. We do not believe for one moment that any such state of affairs exists in this country. There is not a fact known to us that suggests any such condition, and we have yet to see any one who could point to such a fact.

It would be almost as difficult to find any dispassionate observer acquainted with the facts who would undertake to defend the implied claim that by and large small business men suffer from a lack of legitimate credit facilities. It is of course true that for a decade or more it has been repeatedly asserted by politicians and others who knew not what they said that the economy was being restrained and restricted because small business men could not obtain credit due them from the regular agencies. Special machinery was established for the purpose of serving these small business enterprises. Strenuous efforts were made to find these credit-starved small business enterprises. Little or no success attended the effort. Even the relatively few who were found who both deserved (so the lender thought) and wanted credit have proved not to have been particularly credit-worthy as judged by their subsequent record. Studies made through these years have universally come to the conclusion that there is no small business credit problem in the ordinary meaning of the term. The only exception has been in connection with large war orders which created a very special situation which obviously will not outlive the war.

"Equity Capital"

About equally clear is it, according to those who have studied the subject with care and calmness, that small business men are not seeking equity capital in anything like the degree commonly supposed. They are exceedingly jealous of control of their own enterprises. They want no partners sharing that control. The real problems of small business — in the sense that these are the causes of the high rate of failure among small enterprises — is poor management and ill-advised initiation of businesses which never from the first had any real basis upon which to stand upright or flourish. Such infirmities as these obviously will not yield to currently proposed remedies. Indeed, it seems to us to be of doubtful wisdom to do much interfering with this process by which small businesses are started, flourish or die. It is pretty close to the fundamental freedoms of this country—and out of this process many of our most flourishing enterprises emerge from time to time.

The urgent need of small business is identical with that of large business—an atmosphere in which any sort of private enterprise can flourish. The quackery of the past decade hits small as well as large business — and in neither case will special favors or paternalistic grants-in-aid remedy the situation.

Steel Payrolls Set New Record in 1944

Total payrolls of steel companies in 1944 reached a new record of $1,745,019,700, almost $96,000,000 more than the previous peak of $1,649,227,000 paid out in 1943, according to the American Iron and Steel Institute. The total for 1944 includes the payment of part of the retroactive wage increases called for by the decision late late year in the steel wage case. The Institute further reports as follows:

Hourly and weekly earnings of wage earners also set a new record last year, averaging 121.9 cents per hour and $56.93 per week over the entire year. In 1943, hourly earnings averaged 113.5 cents and weekly earnings $48.81.

Average employment in steel plants declined in 1944, however, although output last year exceeded the 1943 tonnage. Over the whole year an average of 571,200 employees was at work in the industry as against total employment of 626,000 in 1943.

The number of hours worked per week of wage earners averaged 46.7 during 1944, compared with 43.0 hours per week in 1943.

In December of last year, steel payrolls totaled $139,894,900 as against $143,136,800 in November and $140,202,700 in December 1943. Employment averaged 563,900 in December 1944, compared with 564,200 in November and 604,700 in December 1943.

Wage earners received an average of 119.7 cents per hour in December of last year, 120.2 cents per hour in November and 116.1 cents per hour in December 1943. Hours worked weekly in the closing months of 1944 averaged 45.0, compared with 47.7 in November and 43.2 in December 1943.

January Steel Output Cut by Bad Weather

Bad weather during January in several important steelmaking areas was largely responsible for reducing steel output last month to the lowest total for a 31-day month since July 1942, according to a report released on Feb. 10 by American Iron and Steel Institute, which further adds:

A total of 7,178,315 tons of ingots and steel for castings was produced during January, as against 7,361,191 tons in December and 7,586,740 tons in January a year ago.

During January the steel plants operated at an average of 90.1% of capacity rated as of midyear 1944. Since then, capacity has been increased. When the new capacity ratings as of Jan. 1, 1945, are released, it is expected that the January output will represent about 88½% of current capacity. The latter rate would be the lowest monthly since 83% rate recorded in July 1940 when the national defense program was just getting under way.

By comparison, output in December was equivalent to 92.6% of the July 1 capacity, while production in January 1944 was 95.6% of the then available capacity.

During January, steel output averaged 1,620,387 tons per week, compared with $1,665,428 tons per week in December and 1,712,582 tons per week in January of last year.

Strange Reasoning

"We whose signatures are appended to this letter believe that this proposition [that a post-war universal military training system be adopted now] should be thought through now, while we are conscious of the realities of a world at war. As a nation we are better able at this time to reach a wise decision on this important matter than we shall be after the war is over, when again we shall be lulled by a false sense of security.

"Contrary to the opinion expressed by some, we believe that the judgment of the people of the nation is now more sound on this issue than it will be after peace is declared. We know too well the reaction which occurs after a conflict is over: The general desire to 'forget it.'

* * *

"The adoption now of a proper plan of universal military training involves no perpetual commitment. If out of the coming discussions among the nations an effective international plan to insure peace should emerge and the unrighteous ambitions of aggressor nations permanently blocked, the Congress would always have the authority to modify or abrogate the military training system."—From a joint letter to the President by a number of prominent educators.

The reasoning of these learned gentlemen appears most extraordinary to us.

They express the view that our present day judgment is superior to any we are likely to be able to summon in the post-war years; in the next breath the assurance is given that our post-war views can at any moment over-ride our present opinions.

Yet they seem to see some sort of security or assurance in action now.

RFC and Smaller War Plants Corp. to Pass on Business Loans Under GI Bill of Rights

Two agreements have been signed under which the Administrator of Veterans' Affairs has designated the Reconstruction Finance Corporation and the Smaller War Plants Corporation as cooperating agencies in connection with business loans under the "GI Bill of Rights," Brig. Gen. Frank T. Hines, Administrator of Veterans' Affairs, announced on Feb. 9. These agreements were entered into under the authority given General Hines to "designate such agency or agencies, if any, as he finds equipped to determine whether the guaranty of loan should be approved. . . ."

Under these agreements the two cooperating agencies will review the papers connected with loans and will recommend that the loans be approved or disapproved. In making such recommendation, the agencies agreed they will consider matters of substance only and will ignore all matters of form not affecting the substance of the loan, General Hines said.

RFC and SWFC will also be designated by the Administrator of Veterans' Affairs to act as appraisers to be used by the lenders in connection with loans for business purposes. They will also examine loans to determine:

"(1) That the proceeds will be used for purposes permitted by law.

"(2) That the property involved will be useful and reasonably necessary to the occupation.

"(3) That the veteran has the ability and experience to assure a reasonable likelihood of success in the venture.

"(4) That the price to be paid does not exceed a reasonable value.

"(5) That the loan is practicable."

The advices in the matter also state:

"Ordinarily business loans will be made through recognized lending agencies, such as banks, loan associations, or individuals, etc., just as are other GI loans.

"But in some instances either RFC and SWPC may make a primary loan under their independent authority as lending agencies, General Hines said. Where this is done the Veterans' Administration may make a second loan to an amount not in excess of 20% of the purchase price, or $2,000, whichever is greater. When this is done, the Veterans' Administration may guarantee the entire amount of the second loan.

"At no time may the interest on any loan that is guaranteed by the Veterans' Administration be charged at a rate of more than 4%, and interest on the guaranteed part will be paid for the first year by the Veterans' Administration."

Commodity Exchange, Inc., Reelects Weld President

Philip B. Weld of Harris, Upham & Co. was reelected for a third term as President of Commodity Exchange, Inc., on Jan. 31. Floyd Y. Keeler of Orvis Bros. & Co. was reelected Treasurer. The Vice-Presidents elected were Richard F. Teichgraeber, Milton R. Katzenberg, Paolino Gerli and Louis V. Keeler.

At the annual election of members of the Commodity Exchange, Inc., the following governors were elected to represent the various groups of the Exchange:

Commission House Group—Floyd Y. Keeler and Philip B. Weld; Hide Group—Milton R. Katzenberg and Albert O. Trostel Jr.; Silk Group—Alexander D. Walker and Nathan Lewis; Metal Group—Ivan Reitler and Hans A. Vogelstein; Rubber Group—Aage Bendixsen and Nathan W. Diamond; Non-Trade Group — Kuo C. Li.

Mahan Asserts Nation Can Easily Finance Post-War Building

If private interests get a full opportunity to do so, they can easily finance the postwar housing this nation must have even though the volume should reach the most optimistic estimate now being made, L. E. Mahan, St. Louis, President, Mortgage Bankers Association of America, told members of the Kansas City Real Estate Board in Kansas City on Feb. 9 at the organization's meeting in Hotel Muehlebach. The same is true for private industry, he said, and pointed out that the SEC's report of last November showing net working capital of corporations exceeding 44 billion dollars is evidence that industry "can finance reconversion and postwar plant expansion without a considerable amount of outside credit."

Despite this, Mr. Mahan declared that he had grave fears that private enterprise may not be given the responsibilities it is prepared to meet and added that after the war we may find "the United States an island of democracy in a world where the trend is toward a totalitarian state." Mahan said he has been surprised how many Americans adopt the attitude that we cannot revert to free enterprise very quickly after the war.

"There are the conservatives and the leftists, but I hope that there may be some happy middle ground on which these two groups can get together and preserve the American way of life. Unless we do, the lives lost in the two world wars will have been in vain.

Mahan told the real estate and mortgage men that based upon his own studies, a number of which he submitted to the Senate Taft Committee two weeks ago, there seems every reason to believe that private enterprise can finance the postwar building in this country. He said that his own studies also show that the government is not nearly so firmly entrenched in mortgage financing as most people believe. He declared that even though the federal government has been operating in this field for more than two decades, it still holds less than one tenth of the loans outstanding. He set $34,373,000,000 as the total of all mortgages outstanding.

Discussing the life insurance companies and the possible role they may play in financing postwar homebuilding, Mahan said they could probably do the job almost alone.

"As of December 31, 1944, the total admitted assets of life insurance companies were approximately 41 billion dollars. It is generally conceded among those in charge of finance of these companies, that 40% of their investment portfolios could be safely invested in mortgage loans, so that if the portfolios were theoretically balanced at the present time, there would be approximately 16 billion dollars of funds invested in mortgage loans by the life insurance companies.

"As of December 31, 1944, there were approximately 5½ billion dollars invested in mortgage loans, so that in the life insurance companies alone there are at the present time approximately 10½ billion dollars which should gravitate to mortgage loan investments following the war."

He criticized those who are currently contending that one thing needed is lower interest rates for building money and said the benefits which they hold out from such action are largely an illusion.

"On a sound basis, the interest rate on mortgages should be a rate which will encourage investment in the field in such quantities as will completely supply the demand. If you lower the rate below that standard, then you will drive money from that field, and you do more harm than good. As an illustration, look at the experience in the farm loan field: Since 1917 the rate on farm loans established by the federal farm loan system, has been somewhat lower than for city loans, and with the strong agricultural bloc in Washington, pressure has been brought from time to time to reduce the rate. As a result, I would say that there are less than 5½ billion dollars of farm loans at the present time; and purely from a credit standpoint, the farmer is not served as well as the city dweller. There is not the availability of funds for farm development that existed prior to the inception of the Federal Farm Loan Act."

Summary of Provisions Of Manpower Bill as Passed by House

The following summary of major provisions of manpower legislation for limited national service, as passed by the House on Feb. 1, was contained in Associated Press accounts from Washington, published in the New York "Journal of Commerce":

Persons Affected: Every man between the ages of 18 and 45 who is not on active military duty or who has not been deferred specifically by law, such as public officials, divinity students and essential farm workers.

How They Are Affected: If they are holding a war or war-supporting job they may be ordered to keep it by their local draft boards; if the boards determine their service could be utilized better elsewhere, they must move in accordance with board request, or order, if a request fails to produce the desired results.

Penalties: A man disregarding a board order may be inducted forthwith or, if he is not suitable for military service, he may be fined as much as $1,000 and imprisoned for as long as five years. This is the same penalty that now applies to a "draft dodger."

Who Decides What an Essential Job Is: The Director of War Mobilization and Reconversion, or some agency designated by him. The director, after consulting with representatives of management, labor, agriculture and Government, will certify to Selective Service the manpower needs in various areas. Local draft boards thereupon will endeavor to persuade registrants to take jobs voluntarily, or force them to do so if necessary.

In ordering men to work, boards must consider which men can transfer to new jobs with the least disruption to themselves and the civilian economy. They also will make work-calls by categories based on age and occupational skills. Honorably discharged veterans normally will be asked to take new jobs only after non-veterans.

Appeal Provisions: A man must be given a "reasonable choice" of employers and may appeal a work-order through the regular draft board appeal system. If he is prosecuted for a violation he may, as a defense, establish that the order involving him was not based upon "fair consideration."

Travel Allowances: Registrants volunteering for or accepting jobs under board orders are entitled to travel and subsistence allowances from their homes to their new jobs if the jobs are in a locality outside their home; after the job ceases, or after they are given a release, they will receive travel and subsistence allowances to return home.

Benefits: Men working in accordance with draft board orders or requests receive the re-employment priority protection given draftees under the Selective Service Law and are eligible for benefits of the Soldiers' and Sailors' Civil Act, if the job they take involves a financial loss to them.

Conscientious Objectors: May be ordered to some other activity in the national interest if they object to participation in war activities.

Effective Period: The Act expires when the war ends unless Congress nullifies it sooner.

Mutual Savings Bank Deposits, Depositors At New High Levels

Public willingness to save instead of to spend is reflected in year-end reports of the National Association of Mutual Savings Banks, which showed new record levels for these institutions, operating in 17 states, and holding the largest accumulation of small capital ever brought together by one group of banking institutions. Last December 31, deposits in these mutual institutions amounted to $13,331,810,630, an unparalleled increase for a year of $1,624,785,582. "This continued gain in savings is the measure of public assistance in the fight against inflation, its aid to the Government and its provisions for the future," said Issac W. Roberts, President of the Philadelphia Saving Fund Society and President of the National Association. "The patriotic response of so many millions of Americans is a tribute to the national spirit. Now, let all of us prepare to utilize our accumulation of 'small savings' in the best possible way for the nation and ourselves in the peacetime to come."

It is pointed out that the status of mutual savings bank assets kept balance with deposits, amounting to $14,812,651,197 last December 31, an increase of $1,769,819,529 for the year. The gain in deposits and assets exceeded any previous figures. It is further stated in the advices from the association made available Feb. 1:

"A break-down of deposits showed that at the year-end mutual savings banks had $13,291,702,785 in 'regular accounts.' This balance excluded all 'special purpose accounts,' such as Christmas Clubs, school savings, and similar accounts. The average deposit in a 'regular account' rose to $999.71, also a record and the average deposit for all types of accounts was $816.84.

"The public will to save was further emphasized by a substantial gain in new accounts, the total number at the year-end being 16,321,229, an expansion in 1944 numbering 609,018 accounts—likewise a record.

"While accounts were rising to new heights, the combined surplus of mutual institutions reached the unapproached figure of $1,454,738,308, which represented a gain for the year of $128,109,745, providing a surplus ratio of 10.9% for each dollar upon deposit, one of the highest ratios existing for any similiar sum of capital.

"Interest-dividends paid to depositors were continued at moderate rates, owing to limited investment possibilities, the average per account for the 17 'mutual states' being 1.70%.

"In the 1944 period of record growth, mutual savings banks continued to be large distributors of War Savings Bonds, up to the year-end having sold about 1/25th part of all bonds so distributed The total of their sales is approaching $2,000,000,000. They exceeded quotas in the Sixth War Loan. Besides direct distribution to the public, mutual savings banks have diverted about 55% of deposits to the standard Government issues. Plans are under way for the Seventh War Loan.

House Passes Manpower Bill Providing for Limited National Service Legislation

By a vote of 246 to 165 the House on Feb. 1 passed the May-Bailey manpower bill, providing limited National service legislation for men between the ages of 18 and 45. The action of the House is in line with the request of President Roosevelt, who, in his annual State-of-the-Union Message to Congress on Jan. 6 renewed his recommendation of a year ago, for the enactment of a National Service law. The President's message was given in our Jan. 11 issue, page 185.

Passage of the measure came only after its backers staved off a mighty drive by opponents to substitute a voluntary plan for meeting manpower needs, said the Associated Press, which added that the substitute bill offered by Representative Harness (Rep., Ind.) and rejected by a 10-vote margin would have tackled the problem by directing draft boards to inventory their manpower resources and authorizing the War Manpower Commission to fill labor needs through persuasive methods.

From Associated Press advices from Washington, Feb. 1, we also quote:

The substitute, backed heavily by Republicans, went down by a non-record vote of 187 to 177. Earlier the House decisively rejected moves to incorporate in the legislation a so-called "anti-closed shop" amendment and a ban against giving essential rating to an employer unwilling to hire a worker because of his race, color or creed.

Also defeated, on a standing vote of 205 to 71 shortly before the final ballot, was a proposal by Representative Voorhis, Democrat, California, to handle the problems by giving the War Manpower Commission authority to impose labor ceilings on employers and to provide for renegotiation of war contracts by employers using labor obtained through the WMC program.

While the House was taking final action, production and military sources, which strongly backed the measure throughout, put in a new argument, that the extent of reconversion after V-E Day will depend to a considerable extent on the fate of the limited national service bill.

If a bill is passed which would assure that war plants would be manned to the full extent needed to wind up the European war and wage the Pacific war successfully, these officials said, reconversion activity could be pushed ahead more rapidly than otherwise.

As it finally passed, the bill follows recommendations of the House Military Affairs Committee almost to the word.

It undertakes to give to the director of war mobilization authority to designate essential industries and call upon Selective Service to provide manpower for those industries when there is a need.

In meeting a manpower request, local draft boards may request men to take designated jobs or may direct them to do so They also may "freeze" registrants in existing jobs.

Any registrant leaving a job into which he has been "frozen" or refusing to take one into which he has been directed could be inducted for general military duty or fined $10,000 and imprisoned for five years.

The legislation requires draft boards to give men a reasonable choice of employers, a provision recommended by the Military Affairs Committee as a substitute for a discarded proposal permitting a man to take a job in a closed shop plant without joining a union.

It also provides that a registrant may decline to take a job if he has a just cause, but he may have to prove to a court or a draft appeal board that his reason was valid.

In assigning men to jobs, draft boards are directed to consider the effect of a job-change on a man's family and the possible impact on the civilian economy.

Men taking jobs voluntarily or at draft board order would receive travel allowances if the job is away from home and benefits of the Soldiers' and Sailors' Civil Relief Act and the re-employment priorities of the draft law.

The bill, it was noted in the Press, was stoutly opposed by organized labor and industry, spokesmen for which contended the manpower problem could be solved voluntarily. The proposal of Representative Voorhis, which would have given the War Manpower Commission broad authority, won strong early support and for a time there was considerable belief that it might be adopted, it was stated in the Associated Press advices from Washington, on Feb. 1, which added:

However, after Republicans joined in an attack on the substitute and called up a battery of speakers including Representatives Luce of Connecticut, Arends of Illinois, and Taber and Wadsworth of New York, the Voorhis bill was flattened.

The attack on Voorhis's measure centered largely on Paul V. McNutt, WMC head, whom Taber called "the greatest failure" of the Roosevelt Administration.

Turned down without debate was a proposal to provide for all-out conscription of labor and industry.

The Senate Military Committee voted on Feb. 2 to centralize coercive manpower controls under War Mobilizer Byrnes, but delayed until later the final vote on adoption of the legislation. The House bill provided for the administration of controls by local draft boards. A series of amendments adopted by the Senate Committee, it was stated by the Chairman, Senator Thomas (D. Utah), would have the general effect of giving Mr. Byrnes's office overall control. "The reason for that," Senator Thomas said, "is that it is deemed by everybody that this is a national endeavor and should be directed by a national institution."

Civil Air Agreement Between U. S. & Iceland

The State Department has announced the signing of a civil air agreement with Iceland, an important trans-Atlantic stop, it is learned from Washington Associated Press advices appearing in the "Wall Street Journal" of Jan. 31, which also had the following to say:

The agreement, signed at Reykjavik on Jan. 27, becomes effective on Feb. 1.

It gives American commercial air services rights of transit, refueling stops and the right to pick-up and discharge international traffic at the important Keslavik airport on a route from the United States "to Iceland and points beyond."

The agreement traces another route in the expanding pattern of American international aviation.

Similar agreements have already been signed with Denmark, including rights in Greenland, and with Sweden and Spain.

Legal Aspects of Silver Policies Of the United States

(Continued from first page)

1834 and 1837 Congress changed the ratio to 16 to 1 by reducing the gold dollar. The sole purpose was to encourage gold coinage. The law resulted in a large coinage of gold and, practically, put the country on a single gold standard. At the ratio of 16 to 1 silver owners could coin their bullion only at a loss.

In 1853 Congress solved the problem of a domestic small-change currency by creating a subsidiary silver coinage. The free coinage of silver was abolished for all coins from the 3-cent piece to the 50-cent piece. They were to be made token coins, manufactured from bullion bought by the government and sold to the public for gold.

A tragic blunder was made in the law. Nothing was said about the silver dollar. Congress did not formally repeal the bimetallic law of 1837 so far as the dollar was concerned. Never in general circulation and coined only in negligible quantities for export or as souvenirs, the dollar was unknown. Congress, understanding neither the old law nor the new subsidiary system, left the unknown dollar nominally bimetallic. In 1873 Congress, after three years of consideration, revised all the coinage and currency laws. The error of 1853 was corrected by dropping the silver dollar. This put the country legally as well as actually on the single gold standard.

Two insignificant events in this period changed American history. One was a fall in the market price of silver bullion. The other was the discovery of a huge deposit of silver in Nevada, with a resultant speculation in silver stocks which even touched government circles.

Attempts to Restore Bimetallism

In 1874 the price of silver fell to a point where the number of grains in the non-existent silver dollar of the non-functioning bimetallism under the repealed law of 1837 had a market value less than one gold dollar. The silver interests suddenly discovered that if the silver dollar had not been dropped by the law of 1873 they could for a time take 80 or 90 cents worth of silver to the Mint and get a dollar. The fact that such a system would be utterly unsound economically and ruinous to the nation's finances did not concern them. They began a drive to "restore" a bimetallism that had never existed in fact and to "return" to circulation a silver dollar that had never circulated.

That drive has never relaxed. The three-quarters of a century of political turmoil over silver has had only one objective, to permit the coinage of silver at a ratio above its value, so that silver owners would reap an unearned profit at the expense of the country.

By wholly false propaganda and political deals the silver interests almost succeeded in establishing bimetallism, which would have wrecked the country's money system. Failing in that, they managed to extort from Congress two subsidies which brought disaster eventually. In 1878 they passed the Bland-Allison Act, which forced the Treasury to buy from domestic producers what they thought would be the total output of silver bullion. In 1890 they obtained passage of the Sherman Silver Purchase Act, which doubled the purchases. The silver was to be paid for with a new kind of government paper money, called Treasury Notes.

Under these two laws the Treasury was to buy the metal, coin it into dollars, and issue the dollars to the public. Regardless of the value of the silver, it was to be coined into the old 371¼ grain dollars that had never been in use. They were thus to be small-change coins, manufactured by the government and sold to the public at much above their value. They were to have no more monetary standing than the 1-cent copper piece. But both laws declared that this small-change piece, of exactly the same character as the 1-cent copper piece, was a standard coin, of equal value with a gold dollar. It was to have unlimited legal tender. Thus as far back as 1878 we find Congress enacting falsehood into law, in relation to silver coinage.

The public would not accept the coin. The Treasury devised a scheme to pass it on to the people. It coined the dollars, buried them in the vaults, issued to itself warehouse receipts called silver certificates, and passed the certificates on to the public. Since 1862 the country, outside the far West, had had no currency but paper, and they readily accepted the certificates. A few dollars circulated in two rural areas. In the South the colored people, not expert in reading, preferred solid coins to paper money. In the far West the people had never accepted paper money, and a few silver dollars circulated.

For 15 years, under these two acts, the Treasury bought silver, buried it in the vaults, and transferred its ownership to the people by certificates and Treasury notes. By 1893 the process had swollen the paper money circulation. The financial situation was not sound, in the country or in the Treasury. In June a cable announced that India had abandoned the silver standard. There was an immediate run on the banks and on the Treasury. In one day 573 banks closed. The run on the Treasury brought the government to the brink of bankruptcy. The deep depression of 1893-1897 was ushered in. A petty subsidy granted by Congress to a tinpot industry owned by a tiny group of mining interests had brought the Treasury to an insolvency prevented only by the loan of gold by New York bankers.

President Cleveland called a special session of Congress and demanded repeal of the Sherman Act. The silver Senators refused to permit its passage. For weeks they filibustered. They yielded only at the price of the insertion of a foolish clause. This clause declared that it was the general policy of the United States to work for bimetallism if some workable system could be devised. The silver interests had brought distress to the country, and they were serving warning that they would do it again. It should be noted that this was not a decision by Congress on the money standard. The law was an emergency measure, repealing a vicious statute in time of crisis.

The silver interests again started a campaign for free silver. They were defeated in 1896 and defeated again in 1900. In that year Congress determined to settle the matter. The Gold Standard Act of 1900 was passed. The law declared that the standard monetary unit of the United States should be the gold dollar. But once again the silver Senators managed to insert a clause providing that the law would not preclude the establishment of international bimetallism if it should be possible.

In the law the silver dollar was again referred to as a standard coin, as it has been in every silver law since, down to the present day. It is not necessary to explain to this audience why these legal statements that the dollar is a standard coin are at the same time a falsehood and an absurdity. A standard coin is a basic metallic money. Its value as money is its value as a metal. It has free coinage, which means that it is not a piece coined by the government, but is merely metal stamped by the government for the owner of bullion, to guarantee its weight and purity. It is not redeemable, because it is itself the standard with which inferior monies are redeemed. The silver dollars buried in the vaults under the Bland-Allison and Sherman Acts had no vestige of standard quality. They were token coins, as they are today, worth a fraction of their face value, rejected by the people even as token coins, and foisted upon the people by the Treasury, at an unearned profit to the government.

The purpose of this historical summary is to bring out the essential facts that the silver dollar has never been in any material circulation as a basic money in American history, that bimetallism has never worked practically in our history, that the silver dollar is not a standard coin and has not been such, even nominally, since 1873.

Legal Phases of Silver

We are concerned here today with legal phases of silver. It is not our function to outline the silver proposals and enactments from 1933 to 1945, except insofar as they raise legal issues. We can summarize the silver history of the past decade by saying that in all the annals of currency there has never been so fantastic a story. It is a phantasmagoria of organized propaganda, frenzied speculation, and incredible legislation. We see an administration of the United States Government first resisting the silver interests and finally becoming their very agent. We see a sham international agreement engineered amid the wreckage of an international conference. We see the Treasury, under compulsion, draw back briefly a curtain, to expose as speculators in silver citizens of high prominence who had financed a propaganda to raise silver prices.

We see even more somber things. We see Senator Pittman urging a subsidy for silver to raise the wages of the starving coolies of China, China begging the United States not to ruin her by this measure, Secretary Hull saying that the country could do nothing because Congress ordered it. We see China's monetary system wrecked. We see the Japanese smuggling silver out of China, selling it to us, and investing the proceeds in scrap steel. We see Mexico making enough profit from our purchases of her silver to enable her to finance the confiscation of American oil wells. It is a sordid story.

But it is our task today to discuss legal aspects. Two laws we must consider and one executive action by the President of the United States. In the spring of 1933 there was passed an extraordinary measure which is popularly known as the Thomas Inflation Act. It contained provisions in reference to silver. One of them provided that the President might, at his volition, establish bimetallism, at whatever ratio of gold to silver his wisdom might dictate. It was an abrogation by Congress of its powers over money, expressly granted by the Constitution. To this date the power has not been exercised, although it still exists.

The Pittman Silver Purchase Scheme

In June of 1933 a world economic conference met in London, to attempt a stabilization of currencies and a restraint on tariff wars without which the world would continue to wallow in the depths of depression. The President chose as a member of the American delegation Senator Pittman, who had devoted his life to the cause of silver subsidies. In the midst of the deliberations President Roosevelt sent a cable which repudiated the program and destroyed the Conference. In the atmosphere of distress created by the cable Senator Pittman persuaded the representatives of seven other nations to agree to a resolution on silver. It included various minor provisions about silver and silver coinage. The only significant provision was one which required that five governments purchase from their domestic silver production a total of 35 million ounces. The governments were the United States, Canada, Australia, Mexico, and Peru.

This was the most extraordinary international resolution ever devised. Thirty-five million ounces of silver were of no consequence whatever in world affairs. At the time silver was worth about 37 cents an ounce, and the total value of the amount to be purchased was about $13,000,000. World production at the time was around 200 million ounces, and the total silver in the world was around 12 billion ounces. If the question is asked why the other nations entered into a senseless agreement, the answer is simply that the agreement meant nothing whatever to the other nations, as will appear.

The intent of the matter became clear as events unfolded. Pittman engineered some days later a so-called supplementary agreement, allotting the shares to be bought by each country. The allotment of the United States was a fraction over 24 million ounces. The other four nations were to purchase a combined total of about 11 million ounces, although they produced annually about six times as much as the United States. But it was provided further that if any of the five nations refused to ratify the agreement it would still be in effect provided the remaining nations should purchase the total of 35,000,000 ounces. Here was a preposterous jumble of words which said that a joint international agreement of five nations would still be a joint agreement if four nations rejected it and one continued.

And here we have the point of the entire matter. The United States was to buy 24 million ounces, which was almost precisely the total annual production of the petty silver industry of this country, not as important as the sock supporter industry or the apple jelly industry. But if the other nations did not care to go on with the proposal the United States could by raising the price stimulate domestic production to perhaps 35 million ounces and buy that total amount at inflated prices. Since the purchase of a few truckloads of silver bullion by Peru or Canada could not have any economic significance anywhere, it was evidently the sole purpose of the scheme to bring back to Congress what would appear to be an international undertaking which would force the United States Government to buy all the silver produced in America.

This shabby conspiracy succeeded, in startling fashion. The normal procedure would have been to have the Senate ratify the agreement, as a treaty, as without ratification it was wholly without force. But it was not ratified. No attempt was made to obtain ratification. It would be safer to have the President make the purchases of silver. But such action would be unconstitutional and ultra vires. The problem was apparently unsolvable. At this point the services of the Attorney General, Mr. Homer Cummings, were enlisted. The President asked him to prepare an opinion on the authority of the President to open the mints to the coinage of silver.

The result was an extraordinary legal opinion. This opinion held that it was legally possible for the President to buy in the name of the United States an unspecified amount of domestic silver bullion, at unspecified prices, from unspecified sellers. The opinion was not expressed in these words. The opinion said that the President could put into effect what was called a plan for the unlimited coinage of silver at the current fixed ratio to gold, with a seigniorage charge of 50%. Such a policy, he said, would be in harmony with the declared policy of the United States to continue the use of both gold and silver as standard money.

Even at the risk of a tedious discussion of technicalities it is necessary to examine this statement. In the first place, there was no plan for the unlimited coinage of silver. It was a plan for the President to buy a mass of silver bullion of no monetary standard. It would have been equally legal for the President to order the Treasury to buy copper or zinc and have it coined. The fixed ratio between gold and silver had been abolished by law in 1873. The limited number of dollars coined under the Bland-Allison Act and the Sherman Act were token coins, as we have already pointed out. They were coined at the old 16 to 1 ratio, but they could as easily have been coined at 10 to 1 or 20 to 1.

In reference to the declared policy of the United States to continue the use of both gold and silver as standard money the Attorney General cited the long-forgotten law of 1893, which had declared that it was the general policy to establish bimetallism if it could be made to work. The circumstances of the adoption of this law have been outlined. It was repealed by the law of 1900, which established the single gold standard. The Attorney General also cited this law of 1900. He did not refer to its basic provision abolishing any pretense of having any standard but gold, but to the provision which said we might some day undertake international bimetallism.

The proposed purchase of silver by the President had no relation whatever to bimetallism. Bimetallism is the establishment of two metal standards, one gold, the other silver. Each metal has free coinage. Under bimetallism the government can buy no metal and can own no metal. It merely stamps metal brought to the mint and hands it back to the owners. It would have been bimetallism only if the mints had been opened to the coinage of all silver in the world. These simple facts made every contention of the Attorney General meaningless. The remainder of the opinion consisted of a long discussion of the history of seigniorage on coinage. This will be explained later.

President's Silver Proclamation

With this legal casuistry as defense, the final step could be taken. In December, 1933, the President issued a procalamation directing the purchase of all silver produced by American mines. The proclamation attempted a double defense for itself. It declared that it was merely carrying out the international agreement of the London Conference. As has been pointed out repeatedly, there never was an international agreement. There was only a proposal for an agreement. The proclamation then proceeded to revive the assumption that the silver dollar is a standard coin. It pretended that it was, to the extent of domestic silver purchases, establishing free coinage under bimetallism, the line of defense so clumsily set up by Cummings. It directed that the silver be received from the owners for coinage. It should be noted that this pretense of establishing bimetallism contradicted the previous defense. The London agreement called only for the purchase of silver bullion by each country. The other nations party to the agreement did not even suspect

that it was a scheme for coinage. The only purpose of the agreement was for each country to buy little lots of its own domestic silver.

Having directed that domestic silver be received for coinage, the proclamation then directed that the Treasury exact a seigniorage charge of 50%. This provision about seigniorage all but defies explanation, but a clear understanding of it is essential to any understanding of the present legal status of silver coinage. It is the key to the legalistic deception in all silver legislation since 1878.

A silver dollar contains such weight of silver that one ounce coins into $1.293, at the old weight originally established in 1792. If we had had legal bimetallism, and if the dollar had been a standard coin, and if silver had been granted free coinage, and if the ratio had been 16 to 1, and if the gold dollar had not been depreciated since October, 1933, the owner of an ounce of silver could take it to the mint and receive $1.29 in silver dollars. The proclamation assumed this wholly imaginary situation, including every one of those "if" hypotheses, and declared that silver would be received for coinage. As we have shown, it was necessary, since there was no legal authority for the purchase of silver by the President, to pretend that the mints were thrown open to bimetallism. It was further pretended that this bimetallic coinage was to be at the old nonexistent ratio of 16 to 1. This meant handing to every owner of an ounce of silver, worth 43 cents, $1.29 in silver coin.

But the administration simply did not have the hardihood to pay silver miners $1.29 for an ounce worth 43 cents. The actual scheme was to pay at first just half of $1.29, or 64.64 cents. This could not be done under the legalistic pretense that bimetallism was being established at a 16 to 1 ratio. The solution was to pretend to establish bimetallism at 16 to 1, to pretend to open the mints to coinage at $1.29 per ounce, and to pretend to make a coinage charge of 50%. The silver miners would get half of $1.29, or 64.5 cents. Still carrying out this pretense of bimetallism, the proclamation directed that the government take for itself half the silver offered for coinage but coin the other half and hand it back to the owners.

At the time of its promulgation an ounce of silver could be bought anywhere in the world for 28 cents in our old gold currency, or for 43 cents in the then depreciated value of our American dollar.

At long last, through the instrumentality of the President of the United States, the silver interests had achieved their aim. The United States was now compelled to buy all the product of the silver mining companies at a price more than 50% above its price anywhere in the world. The sham international agreement that the United States should purchase 24 million ounces was not even considered. The total domestic product was to be bought. The proclamation was actually issued before three of the other four countries had ratified the agreement.

There was one element of ironic humor in the proclamation's direction that the silver dollar should be coined at "the present ratio of gold to silver." As we have explained, there was no such ratio even if there had been bimetallism. There was not in December, 1933, any gold coinage or any gold dollar. Our dollar at the time was a fluctuating dollar, changing every morning with the Secretary's bids for gold under the ridiculous Gold Purchase Plan. The old gold dollar had been cut about 40 cents, and the actual ratio of the old silver dollar to the gold dollar was about 25 to 1.

Our concern here is with legal questions. As we see it, the proclamation was wholly without authority of Constitution or statute. There was no authority in law which permitted the President to buy silver, to give a subsidy to the silver miners, or to coin silver dollars.

It is true that no government funds were used in the purchase of the silver. This was due to the fact that the proclamation called 33 cents worth of silver a dollar. It bought an ounce of domestic silver. It then called this ounce $1.29. It was to pay the owner 64.5 cents in silver coin out of this ounce. The remaining half, or 64.5 cents, it retained. Having paid nothing for this retained half, the government had what it called a profit of 64 cents on every ounce it bought. The economic immorality in this lay in the fact that the proclamation was arbitrarily putting into circulation a token coin. Expressed in dollars, the government was buying 66 cents worth of silver. It was coining one-half of this, calling it a dollar, and paying it to the owner. The other half, which it called a dollar, it kept and called its own profit. The dollar put in circulation was a debased coin. The seigniorage profit was derived from a fictitious overvaluation of 33 cents worth of metal. It was precisely as if the government bought a quart of milk, called a pint a quart, paid the owner of the quart with one pint, and declared the remaining pint a quart of profit to itself.

There is one other perplexing technicality. As we have said earlier, most of the dollars of the past, before 1893, had been insinuated into circulation by the device of the silver certificate. The proclamation overlooked this detail. It directed that all purchases of silver be paid for with coined silver dollars. As we have pointed out, the public will not accept the silver dollar, not even silver miners. If it is forced on a creditor by legal tender, he promptly hands it back to the Treasury. The Treasury buries it in a hole and transfers ownership to the public by issuing certificates, which people accept. The certificate is the only available one dollar bill. If any member of this distinguished audience has in his pocket a one dollar bill, it is a silver certificate. It means he owns a buried silver dollar, worth as metal about 35 cents.

The Gold Reserve Act

The Gold Reserve Act of 1934, passed five weeks after the proclamation was issued, made a confused effort to give some color of legality to the proclamation. It confirmed the President's authority to establish bimetallism, already granted by the Thomas Inflation Act. It also authorized the President to give certificates instead of silver dollars to the owners of bullion.

The Act said further that the President was authorized to make different charges or to collect different seigniorage for the coinage of silver of foreign production than for the coinage of domestic silver. This provision defies explanation. There was not at this time any authority for the purchase or the coinage of foreign silver by any government agency. Apparently it was aimed at giving some pretense of legal sanction to the price of 64 cents paid domestic producers for a commodity selling everywhere in the world for about 40 cents. Undoubtedly this clause attempted to legalize the subsidy granted by the proclamation. Actually it failed to do so, for the simple reasons that there was no authority for the purchase of foreign silver and no authority for the purchase of domestic silver. There was no seigniorage charge of any kind involved in the purchase of domestic silver. The charge was imaginary.

The Gold Reserve Act contained another clause in reference to silver, as follows: "All actions, regulations, rules, orders, and proclamations heretofore taken, promulgated, made or issued by the President of the United States or the Secretary of the Treasury . . . under the Act of May 12, 1933, are hereby approved, ratified, and confirmed." Here we have something unique. It had been attempted in the proclamation to justify it as the fulfillment of a treaty obligation, which did not exist. It had been attempted to justify it as a bimetallic measure as authorized by the Thomas Act, when it was not a bimetallic measure. So Congress passes a law saying that whatever the President had done under the Thomas Act was legal whether it was legal or not.

At this point we retire in favor of the legal profession. A law which declares that an act which was illegal when committed is now legal is beyond the layman's power of analysis. To the innocent layman it appears to be the Constitution's prohibition of ex post facto legislation standing on its head. Here we are not even amici curiae. Until we are corrected, we take the position that if the proclamation was illegal when issued it was illegal after the Gold Reserve Act.

It has been widely believed that the Gold Reserve Act legalized the proclamation of a month earlier. Undoubtedly it was intended to do so. Our analysis indicates that it did not do so. The subsidy to domestic producers had the same dubious legal status as before.

The so-called agreement was to continue four years. In the next four years the President continued to buy domestic silver at arbitrary prices, by proclamation. In April of 1935 he raised the price to 71 cents and then to 77 cents. The circumlocutions about coinage and seigniorage were always repeated. But there was now a directive that silver certificates could be used for the payments. We are not concerned here with the economic consequences. But it is permissible to note that these prices set off a fury of silver speculation, whose result was the disruption of the domestic currencies of countries all over the world.

The Silver Purchase Act

In the summer of 1934 the Government of the United States surrendered to the silver interests. The Silver Purchase Act was passed. It called first for the confiscation at a fixed price of all silver bullion held in the country. It called second for the purchase of indefinite amounts of foreign silver, at indefinite prices, over indefinite periods. It provided that these purchases should continue until the silver held in the Treasury, valued at the fictitious rating of $1.29 per ounce, should equal one-third of the value of the gold so held or until the price reached $1.29.

We are not dealing here with the economies of the present silver situation. But we still live under this law, and it must be explained. It is an incredible monstrosity. It was here enacted that the United States should buy a well-nigh useless monetary metal, not used as standard money anywhere on the globe, at shifting market prices, and then declare each ounce worth $1.29 and bury it in a hole. When the pile of metal in the hole reached a fictitious value of one-third the value of the gold, the whole hybrid mass would become the metallic reserve of the United States. To pay for this foreign silves a vast volume of silver certificates was to be pumped into circulation.

No one unfamiliar with the character of silver schemes can even guess at the purposes of this law. The program was first to force up the price of silver to $1.29 an ounce. At this point the President could be forced to establish bimetallism. For a while, before the financial system was ruined, a few mining companies would receive $1.29 an ounce for their product.

The Silver Purchase Act provided that the Secretary of the Treasury should purchase silver at home or abroad, at such prices as he might choose. This clause has sometimes been misconstrued as a further legalization of the subsidy to domestic silver. The provision referred only to the Treasury purchase of foreign silver under the new act. It did not refer to newly issued silver from domestic mines. The subsidy to domestic silver remained as before, an arbitrary purchase by Proclamation of the President. By Proclamation of December, 1937, he reduced the price from 77 cents to 64 cents. This was renewed in December, 1938. The agreement was to expire in this month. The other four countries, which had finally ratified the agreement when its instigator had not, allowed it to expire without comment.

In all the sordid story of this period there is only one cheerful note. The silver interests overreached themselves. Silver went from 24 cents an ounce in 1932 to 81 cents in 1935. An outraged economic justice revolted. The market collapsed into sheer panic. Silver fell to 45 cents, and numbers of the speculators were wiped out.

The government continued to buy domestic silver at 64 cents and foreign silver at lower prices, although the agreement had expired, the failure of the Silver Purchase Act in every respect had been fully recognized, and the dangers of the mass of silver certificates had become self-evident. In the summer of 1939 some lingering remnants of statesmanship moved the Congress to let the President's powers over money, especially over gold, expire. It was not to be. The Administration appealed to its supporters, the silver crowd whipped up their ranks, and after a bitter battle Congress again surrendered its Constitutional powers to one official.

The law renewing the President's powers contained a provision on silver. It declared that all domestic silver should by law be bought at a price of 71 cents per ounce. The terms of the provision contained the same false pretense which had now become routine, the pretense that the mints were opened to free coinage of silver for domestic producers. A seigniorage charge was to be imposed amounting to 45% of the so-called coinage value. This merely made the price 71 cents.

One peculiar technicality must be labored over. The President's first Proclamation in 1933 had commanded that the bought silver should be coined into dollars in part and that the owners of the silver should be paid with these dollars. The law of Jan. 30, 1934, authorized payment in certificates also. And thereafter the President's Proclamation authorized payment in certificates.

But this law of 1939, making the old pretense of bimetallism, declared that all domestic silver purchased should be coined into dollars to the extent necessary to pay the owners. There was no provision for payment with certificates. Tre records of the Treasury declare that no silver dollars were coined from 1939 to the present day. Therefore, apparently, the law of 1939 is consistently violated. It is not a matter of any consequence. If the owners should be paid in dollars, the dollars would promptly go back to the Treasury, which would bury them and issue certificates against them. This it has authority to do. The matter is mentioned here primarily to show that in this murky legal fog of silver legislation the government does not even observe its own fictions when required to do so by law.

At long last Congress had, by this 1939 law, made statutory a cash gift to private persons, in the form of a purchase of a useless commodity. The President need no longer buy domestic silver by proclamation. The significant aspect of this last act is that it is typical of the course of all such raids on the public purse. A subsidy scheme is forced to passage. After such a scheme has been perpetuated and maintained a sufficent time, it becomes a mere fixture in government. It eventually becomes a vested interest of the beneficiaries. Finally it is, quietly, made a permanent gift of government funds to a favored interest.

There remains to be mentioned only one other legal enactment. The Green Act of 1943, recently renewed, authorizes the Treasury to sell silver to war industries, provided that the price is not less than 71 cents.

This brings to a close the story of the legal history of silver in our time. It remains only to summarize the actual present legal status of silver, as it is fixed by the statutes still existing after the ten troubled years of error and improper procedure just past. They may be set down by number.

Summary of Legislation

(1) Under the Silver Purchase Act the Treasury is to continue to buy silver bullion until it becomes equal in value, at a false valuation, to one-third of the value of the nation's gold stock or until its price reaches $1.29. When this point is reached, the nation's metallic monetary reserve is to be this incongruous mixture. The Treasury has been buying billions of ounces over the past ten years, but the total quanity bought has not even approached the one-third fictitious valuation. For ten years past the Treasury has been a ridiculous kitten, chasing its tail.

(2) The domestic silver bought is by a legal fiction considered as delivered by the owners to the mint for coinage and return, with a fictitious seigniorage charge for the coinage. This fiction of coinage is not even observed. In actual fact the domestic silver is bought at 71 cents an ounce, stored in the vaults, and paid for with silver certificates. A one-dollar certificate is redeemable for one silver dollar, a small-change coin, that will not circulate at home or abroad and has a metal value of around 35 cents.

(3) There is no legal pretense of delivery for coinage in the case of foreign silver purchases. The Secretary buys the silver, buries it, and pays for it with silver certificates. This means that the government pretends to have free coinage of domestic silver but openly buys foreign silver. Actually, it has bought domestic silver at 71 cents an ounce and has bought foreign silver at the market price, usually around 45 cents. It takes the two lots, which it pretends legally to have acquired by two quite different methods, and buries them in one hole, valuing each ounce at $1.29.

(4) The legal status of silver certificates is confused. The Treasury buys an ounce of foreign silver for 45 cents and pays for it with a 45-cent certificate. It sets aside as security against this certificate 45 cents worth of overvalued silver coin. But the ounce coins into $1.29 in the overvalued silver. Thus there is left over a lump of silver which is improperly valued at 84 cents. This is considered to be government seigniorage profit. It can be coined into 84 cents. And against it new certificates can be issued. Thus a full $1.29 may be issued in certificates against every ounce of silver. Since all forms of money are now unlimited legal tender we may have a vast volume of legal tender certificates

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Dewey Urges Full Participation For World Peace Organization

(Continuel from page 746)

every effort in the interest of our country and of world peace.

Decisions to Be American Ideals and Unconcealed

Our people are prepared to uphold the hands of their own representatives. They ask in return that the decisions to be made shall be in harmony with our American ideals of liberty and justice. They ask that the actions to be taken shall not be concealed and shall not be devisious. They ask that they shall not ignore the opinion of mankind. Our people insist that mighty decisions shall not be made in the cynical spirit of power politics. The structure of international peace must progress further and faster or it will be left behind in the swift movement of world events.

Our Government Was Absent

In the last three months the liberation of peoples and nations had pressed forward with increasing speed. The governments of Bulgaria, Yugoslavia, Italy and Greece, the government and boundaries of Poland have one after the other in rapid succession required action and decision. Yet we learned, day after day, that events required action and our own government was absent from the scene. We have seen the American people in the humiliating situation where they were compelled to learn of these tremendous events from the debates in the British House of Commons. Moreover, we learned from those debates that while the powder kegs of Europe were being dealt with once again, the representatives of our own government were uttering pleasant generalities and leaving our Allies to decide the fate of the world.

Republican Support

During all of that critical three-month period the clearest call for constructive action came from the distinguished senior Senator from Michigan, Arthur H. Vandenberg.

In giving their whole-hearted support to decisions to be made at the present conference and to action in the future our people are perfectly aware that they cannot have everything just as they want it. Our Allies have strong views of their own. We know that conflicting views must be reconciled. But we insist that decisions be made with us and not without us, with our representatives in the discussion every day on every subject, and not occasionally or part of the time. Our people cannot accept compromises without a new, firm knowledge that the American Government took its part and did its best in advancing the principles and faith for which Americans are dying all over the world. We shall accept neither isolationism or abdication.

The time has come for the hard, painstaking labor or translating ideals and generalities into reality and action. The conference now in progress is, we hope, a great step to that end. From now on these problems cannot hang in suspense for many months at a time. They cannot be left to the rare meetings between the heads of nations. Time and events move too fast. Ideals and great purposes are too easily lost by default. We are not content that our government sit idly by and merely, as we have been told, be "kept informed." Millions of Americans are in the front lines of battle. Our government must likewise be in the front line of decisions which flow from these victorious battles.

People United on Foreign Policy

There have been those in other countries and some in our own who choose to interpret the almost equal division of the American people between candidates and parties in the last election as proof of division in our fundamental purposes and intentions. The fact is that our differences concerned only who were the most effective individuals and what were the most effective methods of carrying out the ideals and purposes upon which we as a people are strongly united. Let it be understood by every one, everywhere in the world. Let it be understood that the representatives of our government have the whole-hearted support of the American people in every step they take which advances the cause of a just and lasting peace.

So as we give all-out support to action toward carrying out our ideals, we want to be sure that those ideals have been vigorously represented. We want to be sure of action guaranteeing the permanent disarmament of Germany and Japan. We want to be sure of action to transform the agreements reached at Dumbarton Oaks from pieces of paper into living reality. We want to know that the things left unfinished are moving toward solution.

As a nation we have strong views concerning the freedom of the peoples of Europe. We want to know that these views are represented in the decisions concerning the future of the people who have suffered so much through conquest and re-conquest and final liberation. We want to know that it is liberation in truth —that we have in fact crushed out war-breeding totalitarianism wherever it infected those nations. We want to know that we have not fought this war in vain.

Upholds Ideals at Home

As, in the name of Lincoln, we take stock of our purposes in the world, we must also inquire whether we are upholding his ideals at home.

Our nation was founded upon the classic liberal principle that government is the servant of its people and not their master. Hand in hand with this political idea of human freedom went the belief that men may be free politically only so long as they are free economically. These were the contagious, compelling, exciting truths out of which our country was established and became great.

These were not our ideals alone. They were in response to the clarion call to human freedom which swept over the western world in the eighteenth century. During that century the French Revolution and the American Revolution were fought to establish the right of people to rule themselves and the right of the individual to be free. By evolution the same principles were then also being established in Great Britain and elsewhere.

Today these liberal principles are under challenge. They are no longer self-evident to a large portion of the world. It is said that individual freedom can no longer exist in a modern industrial society; that government must be supreme, and the people must be its dependent servants.

Trend Toward Totalitarianism

The wheel has had a full turn between the eighteenth and twentieth centuries. The intrusive idea today is again that all wisdom is in government and that it should exercise all power. Even as we fight a total war against that idea, it infects the minds of people everywhere.

We find people from all walks of life and of all shades of political thoughts right here in our own country who are afraid that we cannot have security and full employment and at the same time maintain the liberty and dignity of the individual. There are others who joyously proclaim that the new road to Utopia is through government action alone, which leads inevitably to totalitarian control over our people. While professing their concern for the individual they would crush him, leaving only a soulless automaton who takes his orders from the State.

Adding together those who are afraid for human freedom and those who basically have no interest in it, we have a large body of opinion in our own country going down the primrose path toward totalitarianism.

How to achieve our objective, security and full employment, and also preserve individual liberty! This is the crucial question of our time. It is the hard core of every political decision we make.

We have seen in our country a long, persistent effort to increase the power of government over the individual. We have seen a cavalier willingness to saddle the people with unlimited debt in the peacetime behind us and in the plans for the peace ahead of us. We have seen a smooth willingness on the par of government to find pleasant execuses in the name of false liberalism to bring the daily lives of our people under its increasing control.

"Spending the Nation Unto Bankruptcy"

There are those who want to take the easy way of spending the nation into bankruptcy and chaos, while the government takes over the control of the lives of every individual. They believe that to cure every ill you pass a law and appropriate $1,000,000,000. They would like to have the Government finance every business, from a gasoline station to a steel corporation, while it quietly takes over control of every aspect of our economy. It is by that process that life, liberty and the pursuit of happiness would be stifled and liberalism would become a dead thing in history.

Here is the real battle of the years to come. Must the people of America deny their own heritage and surrender to an absolute state? Must we, too, when peace comes, join the march backward 200 years to individual subservience to the master state? Let us on this occasion proclaim our faith in a better way. It is the way of progress not only toward ever-increasing security but also toward ever-gereater freedom of the individual. At times it may be the slower, harder road. But it is the only road for Americans to take.

Democracy Achieves Production

It is perfectly obvious to the rest of the world and it ought to be to us that America has staggeringly outproduced every other nation in the world. Our 130,000,000 people have produced many of the winning instruments of war for Great Britain, Russia and China, as well as for ourselves. It is obvious to the rest of the world, and it ought to be to us, that this is because of the enormous initiative and inventive genius which springs from the very heart of our system. Ours is a system which rewards achievement, in which men can create and build with the full knowledge that they and their families will benefit, as well as society as a whole. Ours has been a system whereby labor is free to work, to organize and to share to the limit of its productive capacity in the good things of life which are produced by all.

The very heart of that system is the classic, liberal concept that every man is his own master and that government exists to keep him free. It is in the natural development of that system that we assert that neither accumulations of great wealth nor monopoly—that neither Government nor any individual—shall control the lives of other Americans. It is that system which guarantees and must make effective equal rights for all, regardless of race, color, creed or national origin.

We Must Follow Lincoln's Ideals

These are the principles for which Lincoln lived and died. If we are to justify the purpose for which we exist we must follow in the path he set. It is of little importance whether the course is popular or unpopular at the moment.

What is important is that we follow unfalteringly the road of freedom on every issue. It is that road which 12,000,000 young Americans will want to take when they come home to enjoy the peace they have won. It is that road which opens to them unlimited vistas of achievement. To travel that road is their inalienable right. It is the right freely to produce to the maximum for their own enjoyment. It is the right to join a union free from the dictation of either Government or employer. It is the right to become an employer without government dictation, whether on a farm or in a shop.

It is the right to use the initiative, the character and skill these young Americans have developed in these dreadful years of warfare for the advancement of their country and themselves and for the security of their families. It is the right to enjoy social security without any leader or party claiming a political debt for it.

It is the right of 12,000,000 young Americans to come home to a country where we have preserved and enlarged the area of human freedom while they fought and bled for it. It is the right to come home without finding the heavy hand of Government telling them where they shall work, at what and for how much. It is the right to have a government which knows that it is their servant and not their master.

If we who follow the faith of Abraham Lincoln will hold high the principles of that faith, liberal government under God shall not perish from the earth.

NAM Advocates Foreign Investments For an Expanding Post-War Economy

Proposes the Creation of a Fact Finding Investment Organization, Repeal of the Johnson Act, and Private Insurance of Foreign Credits. Sets Up Tests of Sound Foreign Investment, and Urges American Technicians Accompany American Capital Abroad.

The National Association of Manufacturers made public on Feb. 8 the report of its Special Committee on Post-War Developments concerning foreign investment policy. The Committee's Chairman is Earle W. Webb, President of the Ethyl Corporation, who is also a director of the NAM which has already approved the report.

The report calls for a fact-finding international investment organization, private insurance of foreign credits, the repeal of the Johnson Act, lend-lease settlements leading to fair world trade, export of American "know-how," and it gives tests of soundness for our foreign investments.

"For the expanding economy at home which is being generally invoked but still too vaguely discussed, we not only need foreign trade," says the report, "but (it needs to be emphasized) we also need foreign investments.

"If we depend for our expansion solely on trade, we shall run promptly into the difficulty that foreign trade is a two-way movement and that our sale of goods and services abroad will build up a return-pressure on our tariff wall and domestic producers.

"We can avoid this bottleneck in our job-giving cycle of production and distribution in the early postwar period by exporting dollars in the form of private investments and loans. Thereby we will provide long-term dollars which foreign purchasers may add to their current trade receipts from sales to us, and so make up the necessary dollar balances to pay for more of our goods and services.

"Unless this solution is to turn into an illusion, however, the foreign enterprises which get our long-term postwar dollars must eventually be able to repay the loans, and we must be free in the long run to bring home our invested dollars.

"This report has been issued as a corrective of the mistakes which we made between the First World War and the Great Depression.

"While the report was in preparation, some of its more general principles were written into the findings of the International Business Conference of which NAM was a sponsor, at Rye last November.

"In the present NAM report, however, the long-run principles of sound foreign investment are given more detailed expression as well as application to the special position of the United States in the world economy.

"Our stake in the postwar field of foreign trade and investments, might be perhaps three million jobs in the United States and some $10 billions of goods and services annually to be sold abroad."

The report, now available from the NAM under the title "Principles Governing Foreign Investments," contains a section on principles as well as a section on their application to the postwar situation, together with a survey of private United States investments abroad since 1914, with a statistical appendix showing the related balance of payments and the foreign investment position of the United States.

The report on "Principles Governing Foreign Investments" was prepared by W. W. Cumberland, Partner, Wellington & Co., and Joseph L. Pogue, Vice-President, Chase National Bank, as members of NAM's Postwar Advisory Committee. Regarding the employment of American technicians abroad in connection with the export of capital the report states that "if American capital sent abroad is not accompanied by American technicians, or is not managed by fully competent foreign technicians, or is otherwise detached from the "know how" for its efficient application, both parties to the transaction fail to realize its full benefit.

"There are few instances, except in attempting to prevent war or when conducting war, that loans to governments are appropriate, as in most instances governments contract loans for political rather than economic purposes, or else employ loan funds for economic purposes in an inefficient manner. The principle that governments are not, as a rule, desirable borrowing entities, applies to central governments and also to political subdivisions. Loans by governments to governments are ordinarily made for purposes of high state policy and should be considered as costs of war prevention or else as costs of actual war. Governments are not primarily economic enterprises. They do not feel compelled to balance income against expenditure. Their record in the faithful observance of contractual obligations is not favorable."

Report on "Big Three" Crimea Conference—Act to Destroy German Militarism and Nazism

(Continued from page 746)

tablished. The commission will be instructed to consider the question of the extent and methods for compensating damage caused by Germany to the Allied countries. The commission will work in Moscow.

United Nations Conference

We are resolved upon the earliest possible establishment with our allies of a general international organization to maintain peace and security. We believe that this is essential, both to prevent aggression and to remove the political, economic and social causes of war through the close and continuing collaboration of all peace-loving peoples.

The foundations were laid at Dumbarton Oaks. On the important question of voting procedure, however, agreement was not there reached. The present conference has been able to resolve this difficulty.

We have agreed that a conference of the United Nations should be called to meet at San Francisco, in the United States, on April 25, 1945, to prepare the charter of such an organization, along the lines proposed in the informal conversations at Dumbarton Oaks.

The Government of China and the Provisional Government of France will be immediately consulted and invited to sponsor invitations to the conference jointly with the Governments of the United States, Great Britain and the Union of Soviet Socialist Republics. As soon as the consultation with China and France has been completed, the text of the proposals on voting procedure will be made public.

Declaration on Liberated Europe

The Premier of the Union of Soviet Socialist Republics, the Prime Minister of the United Kingdom and the President of the United States of America have consulted with each other in the common interests of the peoples of their countries and those of liberated Europe. They jointly declare their mutual agreement to concert during the temporary period of instability in liberated Europe the policies of their three Governments in assisting the peoples liberated from the domination of Nazi Germany and the peoples of the former Axis satellite States of Europe to solve by democratic means their pressing political and economic problems.

The establishment of order in Europe and the rebuilding of national economic life must be achieved by processes which will enable the liberated peoples to destroy the last vestiges of Nazism and Fascism and to create democratic institutions of their own choice. This is a principle of the Atlantic Charter—the right of all peoples to choose the form of government under which they will live—the restoration of sovereign rights and self-government to those peoples who have been forcibly deprived of them by the aggressor nations.

To foster the conditions in which the liberated peoples may exercise these rights, the three Governments will jointly assist the people in any European liberated State or former Axis satellite State in Europe where in their judgment conditions require (A) to establish conditions of internal peace; (B) to carry out emergency measures for the relief of distressed peoples; (C) to form interim governmental authorities broadly representative of all democratic elements in the population and pledged to the earliest possible establishment through free elections of governments responsive to the will of the people; and (D) to facilitate where necessary the holding of such elections.

The three Governments will consult the other United Nations and provisional authorities or other governments in Europe when matters of direct interest to them are under consideration.

When, in the opinion of the three Governments, conditions in any European liberated State or any former Axis satellite State in Europe make such action necessary, they will immediately consult together on the measures necessary to discharge the joint responsibilities set forth in this declaration.

By this declaration we reaffirm our faith in the principles of the Atlantic Charter, our pledge in the Declaration by the United Nations and our determination to build, in cooperation with other peace-loving nations, world order under law, dedicated to peace, security, freedom and the general well-being of all mankind.

In issuing this declaration, the three Powers express the hope that the Provisional Government of the French Republic may be associated with them in the procedure suggested.

Poland

A new situation has been created in Poland as a result of her complete liberation by the Red Army. This calls for the establishment of a Polish Provisional Government which can be more broadly based than was possible before the recent liberation of western Poland. The Provisional Government which is now functioning in Poland should therefore be reorganized on a broader democratic basis with the inclusion of democratic leaders from Poland itself and Poles abroad. This new government should then be called the Polish Provisional Government of National Unity.

M. Molotoff, Mr. Harriman and Sir A. Clark Kerr are authorized as a commission to consult in the first instance in Moscow with members of the present Provisional Government and with other Polish democratic leaders from within Poland and from abroad, with a view to the reorganization of the present Government along the above line. This Polish Government of National Unity shall be pledged to the holding of free and unfettered elections as soon as possible on the basis of universal suffrage and secret ballot. In these elections all democratic and anti-Nazi parties shall have the right to take part and to put forward candidates.

When a Polish Provisional Government of National Unity has been properly formed in conformity with the above, the Government of the U. S. S. R., which now maintains diplomatic relations with the present Provisional Government of Poland, and the Government of the United Kingdom and the Government of the United States of America will establish diplomaitc relations with the new Polish Provisional Government of National Unity and will exchange Ambassadors, by whose reports the respective Governments will be kept informed about the situation in Poland.

The three heads of Government consider that the eastern frontier of Poland should follow the Curzon Line, with digressions from it in some regions of five to eight kilometers in favor of Poland. They recognize that Poland must receive substantial accessions of territory in the north and west. They feel that the opinion of the new Polish Provisional Government of National Unity should be sought in due course on the extent of these accessions and that the final delimitation of the western frontier of Poland should thereafter await the peace conference.

Yugoslavia

We have agreed to recommend to Marshal Tito and Dr. Subasitch that the agreement between them should be put into effect immediately and that a new Government should be formed on the basis of that agreement. We also recommend that as soon as the new Government has been formed it should declare that:

(1) The anti-Fascist Assembly of National Liberation (AVNOJ) should be extended to include members of the last Yugoslav Parliament (Skupschina) who have not compromised themselves by collaboration with the enemy, thus forming a body to be known as a temporary Parliament; and,

(2) Legislative Acts passed by the anti-Fascist Assembly of National Liberation will be subject to subsequent ratification by a Constituent Assembly.

There was also a general review of other Balkan questions.

Meetings of Foreign Secretaries

Throughout the conference, besides the daily meetings of the heads of Government and the Foreign Secretaries, separate meetings of the three Foreign Secretaries and their advisers have also been held daily.

These meetings have proved of the utmost value, and the conference agreed that permanent machinery should be set up for regular consultation between the three Foreign Secretaries. They will, therefore, meet as often as may be necessary, probably about every three or four months. These meetings will be held in rotation in the three capitals, the first meeting being held in London, after the United Nations' conference on world organization.

Unity for Peace as for War

Our meeting here in the Crimea has reaffirmed our common determination to maintain and strengthen in the peace to come that unity of purpose and of action which has made victory possible and certain for the United Nations in this war. We believe that this is a sacred obligation which our Governments owe to our peoples and to all the peoples of the world.

Only with the continuing and growing cooperation and understanding among our three countries and among all the peace-loving nations can the highest aspiration of humanity be realized—a secure and lasting peace which will, in the words of the Atlantic Charter, "afford assurance that all the men in all the lands may live out their lives in freedom from fear and want."

Victory in this war and the establishment of the proposed international organization will provide the greatest opportunity in all history to create in the years to come the essential conditions of such a peace.

WINSTON S CHURCHILL,
FRANKLIN D. ROOSEVELT,
J. STALIN.

Feb. 11, 1945.

Supplemental Report on Freed Prisoners

The text of an agreement reached at the Big Three conference concerning prisoners liberated by the Allies' forces invading Germany follows:

A comprehensive agreement was reached at the Crimea conference providing detailed arrangements for the protection, maintenance and repatriation of prisoners of war and civilians of the British Commonwealth, Soviet Union and United States liberated by the Allied forces now invading Germany.

Under these arrangements each Ally will provide food, clothing, medical attention and other needs for the nationals of the others until transport is available for their repatriation. In caring for British subjects and American citizens, the Soviet Government will be assisted by British and American officers. Soviet officers will assist British and American authorities in their task of caring for Soviet citizens liberated by the British and American forces during such time as they are on the continent of Europe or in the United Kingdom, awaiting transport to take them home.

We are pledged to give every assistance consistent with operational requirements to help to insure that all these prisoners of war and civilians are speedily repatriated.

From Washington Ahead of The News

(Continued from first page)

informative place in which a man could be.

If ever a people were headless, we were that people. Originally we were used to being a headless people. That was the way we lived. Quite successfully, too. But then we went in for a "head," an indispensable head.

Undoubtedly had our head gone away from us in previous times and even taken Harry Hopkins, Jimmy Byrnes, and even sent Sam Rosenman on a mission, we could have presumably got along all right. But this time the head left a mass of undisciplined bureaucrats on our necks. They have been making hay while the sun shone.

In the midst of the worst winter we have experienced in several years, the people of Washington and, we understand, those in the Northeastern section generally, have endured acute suffering from lack of fuel, from lack of meat, from lack of other necessities. Our rationing and priority systems seem to be in an awful mess. A few weeks ago, it seems, that we were in a serious manpower situation and drastic measures were needed. Now nobody, at least around Washington, seems to be upset about the manpower situation.

The Director of Transportation, however, does have a thought. It is on the question of how to treat women employees. Don't be familiar with them, he says in a lengthy directive. But be firm and helpful.

Attorney General Biddle is quite disturbed about the representation of Sammy the Rose Rosenman as the personal counsel of the President. That has always been what the Attorney General was supposed to be. Out of his irritation he makes known that he intends to file anti-trust charges against the "Readers Digest," its great monopoly being that it has boosted the pay of magazine writers in the country. Vice-President Truman is having a delightful time appearing at any gathering to which he is invited, and playing the piano. The other day he had his picture taken with Lauren Bacall, playing the piano as he did so. He is an awfully nice fellow, Truman is.

In the meantime, another fellow who is not bored with the home front, Henry Wallace, is looking anxiously to step into FD's shoes, at a cost of only $60 billion or thereabouts to the American people. He is having difficulty getting a crusade started behind him. The Senators and members of Congress are all being flooded with communications inspired by the CIO. Strangely enough, they are getting just as many uninspired letters on the other side. The trouble with Wallace's aspirations seems to be that another genius is just now going in for world affairs, Sidney Hillman. Sidney is over in London, despite the ban against unnecessary travel, looking to a world federation of labor to take the place of the one in which the A. F. of L. is now a member. Sidney, too, is neglecting the home front, and Wallace, when Wallace depends so much on him.

As an offset to Sidney's aspirations, the A. F. of L. by the time this appears, will probably have taken John L. back into the Federation.

Lewis is facing new wage negotiations beginning March 1. The general impression in Washington is that he and the coal operators would have no trouble at all. But Lewis is determined to get a "victory" against Roosevelt, and vice versa. The coal operators, many of whom we have talked with and who sympathize with Lewis, are caught in the middle.

But, now getting back to the Roosevelt's exclusive concern in world affairs: It was interesting the reaction the communique on his conference with Stalin and Churchill got in Congress. We are not concerned with the headlines of about how an agreement had been reached on Poland, about the agreement to pursue a total war to the end. Various Congressmen and Senators made statements which they thought appropriate to their constituents. Those with Polish-American constituents, for example, expressed sadness about what had happened to Poland. Others hailed it as a tremendous achievement, making a new light for the world, etc. But most of them, reflecting the attitude of the American people, looked at one thing and were less communicative. Did or did not Stalin promise to help out with Japan. There was an insinuation to this effect. This promise is the only thing, with all the men and materials which this country has furnished, which Mr. Roosevelt can bring back to justify our people's faith in him, or so we are told by the majority of Congressmen, regardless of which way they may articulate upon it. It would be a little enough accomplishment on his part. For a people living so far away from the conflict, and giving so freely of our substance, this is as little as we could ask.

Eliason Aide to Romney Of Automotive Council

Appointment of Courtleigh W. Eliason as assistant to George Romney, managing director of the Automotive Council for War Production, was announced on Feb. 12 by Mr. Romney.

Mr. Eliason has been regional industrial adviser, United States Maritime Commission, Oakland, California, for the past two-and-a-half years. Prior to that he was affiliated with the United States Steel Corporation, Pittsburgh, where he served as staff assistant, industrial relations department, and general assistant, office of director of industrial relations.

In 1940-41, Mr. Eliason took a leave of absence to become research assistant, bureau of industrial relations, University of Michigan, under Dr. John W. Riegel.

Mr. Eliason began his industrial career with the Columbia Steel Corporation, at San Francisco and Pittsburgh, California in industrial relations and affiliated work. Born in Hyrum, Utah, he is a graduate of Utah State Agricultural College and of the Graduate School of Business and of Stanford University, where he majored in production. He received an M. B. A. degree from Stanford in June, 1937.

The State of Trade

(Continued from page 747)

crease of 600 tons above the previous week, but was 68,700 tons less than for the similar week of 1944.

Crude Oil Production — Daily average gross crude oil production for the week ended Feb. 3, as estimated by the American Petroleum Institute, was 4,723,400 barrels. This represented a decrease of 3,750 barrels per day below the preceding week and 33,400 barrels below the daily average figure recommended by the Petroleum Administration for War for the month of February, 1945. When compared with the corresponding week last year, crude oil production was 323,250 barrels per day higher. For the four weeks ended Feb. 3, 1945, daily output averaged 4,726,750 barrels.

Reports from refining companies indicate that the industry as a whole ran to stills (on a Bureau of Mines basis) approximately 4,662,000 barrels of crude oil daily and produced 14,535,000 barrels of gasoline. Kerosene output totaled 1,325,000 barrels with distillate fuel oil placed at 4,559,000 barrels and residual fuel oil at 9,377,000 barrels during the week ended Feb. 3, 1945. Storage supplies at the week-end totaled 47,660,000 barrels of civilian grade gasoline, 43,374,000 barrels of military and other gasoline; 8,796,000 barrels of kerosene; 32,370,000 barrels of distillate fuel oil and 50,451,000 barrels of residual fuel oil.

Lumber Shipments — The National Lumber Manufacturers Association reports that lumber shipments of 471 reporting mills were 13.8% above production for the week ended Feb. 3, 1945, while new records for these mills were 10.6% more than production. Unfilled order files amounted to 98% of stocks.

For the year-to-date shipments of reporting identical mills exceeded production by 7.6% and orders ran 20.0% above output.

Compared to the average corresponding week of 1935-39, production of reporting mills was 52.6% greater, shipments 40.8% greater, and orders 33.4% greater.

Paper Production — Paper production for the week ended Feb. 3 was 88.8% of capacity, as against 88.4% of capacity for the preceding week, the American Paper and Pulp Association's index of mill activity disclosed. The rate during the week ended Feb. 5, last year, was also 88.4% of capacity. As for paperboard, production for the same period was reported at 92% of capacity, a decline of 3 points from the previous week.

Silver—The London market was unchanged at 95½d. for basis .999 silver. The New York Official for foreign silver continued at 44¾c. and 70⅝c. for domestic silver.

Business Failures—Commercial and industrial failures in the week ended Feb. 8 turned downward. Concerns failing, Dun & Bradstreet, Inc., reported, numbered 14, as compared to 16 in the previous week and were about two-thirds the 22 in the comparable week of 1944. Failures in different size and industry groups fluctuated only slightly, with a small increase taking place in failures involving liabilities under $5,000. Large failures with liabilities of $5,000 or more numbered nine, as against 13 a week ago and 14 in the like week a year ago. Canadian failures number two, as compared with five in the previous week and three in the corresponding week of 1944.

Food Price Index—The Dun & Bradstreet wholesale food price index for Feb. 6 advanced 1 cent to $4.10, the high point for the past two years. The current level represents a rise of 2.0% above the $4.02 for the corresponding 1944 date. Advances during the week occurred in wheat, rye, oats, potatoes, sheep, and lambs, while declines were registered in flour, steers and eggs.

The index represents the sum total of the price per pound of 31 foods in general use.

Commodity Price Index—Leading commodity markets, with the exception of corn, developed a firmer trend during the past week, although the volume of sales was considerably under a week ago. According to Dun & Bradstreet, Inc., daily wholesale commodity price index, a rise of 11 points occurred the past week, placing the index at 175.33 on Feb. 6, as against 175.22 a week earlier and at 171.87 on the corresponding date a year ago.

The grain markets aside from corn were stronger, cotton reversed its downward course with prices rallying sharply from recent lows. Strength was derived from the expectation that the government cotton program will be continued and the possibility that cotton loan rates will be higher. Trade and mill demand was quite active but offerings were comparatively light. In the Boston market trading was only moderately active last week, as mills showed a tendency to hold down inventories, fearing a sudden end to the war in Europe. Domestic scoured medium wools were in demand but offerings were very limited. Foreign spot and shortly to arrive wools were reported well sold but there was little interest shown in foreign offerings where shipping and delivery dates were uncertain.

Shoe Sales in 1944—The New England Shoe and Leather Association in an analysis of the "first eleven" shoe manufacturing companies to report sales and profits figures for 1944 reveal that total profits were 11% below the preceding year, while net profits of the eleven companies were $11,928,222 for the past year. Net sales rose to $431,542,122, or 4% above that of 1943.

The average rate of net income to sales equaled 2.8%, based on the combined reports of the eleven companies and ranged from 0.2% to 5.1%, the Association pointed out.

Retail and Wholesale Trade—Reports coming to hand on retail activity for the country at large for the past week were the most varied in several weeks. As for over-all volume, it reflected a slight decline below the week previous and moderately over last year. Stormy weather worked against increased trade in the northern and northeastern sections of the country with demand for the most part routine. Seasonal goods moved well and interest in spring merchandise was slow in developing. Inventories were at a low state compared with customary stocks carried. Merchandise replacements proved difficult to obtain.

Seasonal lines retained a considerable portion of retail apparel, according to Dun & Bradstreet, with spring dresses, suits, and to a lesser degree, coats becoming more popular. In accessory lines, sales were improved, especially in gloves. Hosiery departments showed marked activity, but stocks are low. Fur sales begun in January have continued to increase. In piece goods, sales in cottons were extremely high, while stocks show a serious depletion. Shortages have been reported principally in the higher priced men's and women's wear and in piece goods.

Retail sales for the country were estimated from 8 to 12% over last year. Regional percentages were: New England, 6 to 9%; East, 5 to 10%; Middle West, 4 to 7%; Northwest, 5 to 8%; South, 16 to 20%; Southwest, 14 to 18%; Pacific Coast, 12 to 16%.

In the wholesale field, fewer market events took place the past week, according to Dun & Bradstreet, and trading was generally affected by merchandise scarcities, though the volume compared favorably with the steady trend of a week earlier. Buyers, it was reported, were willing to take available merchandise and were placing orders without regard for cost. Sales of goods in the higher price range were especially noticeable.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, were 11% ahead of a year ago for the week ended Feb. 3, 1945. This compared with 17% in the preceding week. For the four weeks ended Feb. 3, 1945, sales increased 13% and for the year to date by 11%.

Bad weather coupled with growing shortages in many lines of merchandise resulted in a spotty condition in retail trade here in New York the past week. Spokesmen for the apparel industry in an effort to lift the present confusion in the apparel markets caused by the textile-apparel order M-388 will seek some modification of the order in Washington the current week. The hope for an improved delivery situation appears remote at this time.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to Feb. 3, 1945, increased by 12% over the same period of last year. This compared with an increase of 17% (revised figure) in the preceding week. For the four weeks ended Feb. 3, 1945, sales rose by 10% and for the year to date by 11%.

ABA Executive Council Meeting Canceled

The annual spring meeting of the Executive Council of the American Bankers Association to be held in New York on April 15, 16, and 17, has been canceled, W. Randolph Burgess, president of the Association and Vice-Chairman of the board of The National City Bank of New York, announced on Feb. 8.

This action was taken to comply with the recent request of War Mobilization Director James F. Byrnes that conventions and larger business gatherings be called off. The Executive Council of the Association, which totals 124, with representatives from every state in the Union, is the governing body of the Association.

In order that the necessary business of the Association may be carried on President Burgess has called a meeting of the Administrative Committee of the Association to be held in New York, April 15 and 16. There are 16 members of this committee which has interim powers between meetings of the Executive Council.

Scheduled for discussion at this meeting, Mr. Burgess stated, are many of the important wartime activities of the Association, including preparation for the Seventh War Loan, service to war veterans under the "GI Bill of Rights," and credit for small business.

Reduce Air-Mail Postage

Postmaster Albert Goldman on Feb. 7 announced the reduced air-mail postage rates now in effect between the continental United States and Puerto Rico, the Virgin Islands and Hawaii.

The rate of postage on matter carried by airplane to or from the continental United States and Puetro Rico or the Virgin Islands is 8 cents for each half ounce or fraction thereof, instead of 10 cents.

The postage rate on air mail to or from the continental United States and Hawaii is 15 cents per half ounce or fraction thereof, instead of 20 cents.

Legal Aspects of Silver Policies of U. S.

(Continued from page 751)

for $1 each, backed only by a lump of silver of uncertain value. To date the Treasury has not issued certificates against the so-called seigniorage profit. But it may do so. There are now outstanding over 1½ billion of these certificates. Against them there are silver deposits incorrectly valued at over 3 billion dollars. Thrown on the market, this mass of silver would have a very low value.

(5) The Thomas Inflation Act has never been repealed. It gives the President authority to establish bimetallism at any ratio he chooses.

(6) The Gold Reserve Act of 1934 authorizes the President to reduce the size of the silver dollar in proportion to the size of the gold dollar as devalued under the Act. The gold dollar was reduced from 23.22 grains to 13.7 grains, or 41%. This provision permits the President at will to cut the silver dollar 41% and call the fraction of 59% one dollar. This needs consideration. The silver dollar is already a debased coin called a dollar when it is worth 35 cents. Here is a proposal to cut it to a value of 19½ cents and call the fragment $1. The theory of this is that the ratio of silver to gold used to be 16 to 1. With the gold dollar cut 41% the silver dollar would be cut 41% to a 16 to 1 proportion.

Exercising this power would reduce the fragmentary asset behind a certificate to about 20 cents. It would give the government a 69% increase in its seigniorage profit on all the silver it has bought. In the end it would mean that the domestic silver interests would demand a 69% increase in the price they now receive for silver, which is already 50% above its market value and 100% above its usefulness to this nation for any purpose.

We close this legal report by presenting a summary of bizarre and humorous character. An analysis of the preceding outline of the legal position of silver will disclose that an ounce of silver in the United States has five values, a situation which is as irrational in law as in economics. There is first the value of an ounce of silver here and everywhere else in the world, unless that silver happens to come from an American mine. That value is about 45 cents. There is second the value of an ounce if it is mined in the United States. That value is 71 cents. This is also its value if it is sold by the Treasury to war industries, desperately in need of silver for vital war production. There is third the value of an ounce if it is buried in a hole at West Point. That value is $1.29. There is fourth its value if it is converted into ten dimes or four quarters. That value is $1.38. There is fifth its value to to people of the United States as a basic money. That value is zero.

Money in Circulation

The Treasury Department in Washington has issued its customary monthly statement showing the amount of money in circulation after deducting the money held in the U. S. Treasury and by Federal Reserve Banks and agents. The figures this time are those of Dec. 31, 1944, and show that the money in circulation at that date (including of course that held in bank vaults of member banks of the Federal Reserve System) was $25,307,152,635 as against $25,019,073,463 on Nov. 30, 1944, and $20,449,387,607 on Dec. 31, 1943, and compares with $5,698,214,612 on Oct. 31, 1920. Just before the outbreak of the first World War, that is, on June 30, 1914, total was $3,459,434,174.

Babson on Post-War Opportunities

(Continued from first page)

of getting into business for myself.

Insurance Attractive

I am now a director in two fire insurance companies and one life insurance company. Many insurance companies are in ruts, and there are great opportunities with casualty insurance! The system used by Lloyd's has never secured a foothold here. It would be very tempting to develop it. Although I have constantly fought against "gambling" in stocks, I fully realize the human instinct to take chances. Although Washington has driven gamblers out of the stock market, they still love race tracks and number games.

Or one could start a company to specialize in "commodity" or "price" insurance and let speculators do the insuring, the company to serve only in finding the business. Further, it might be wise to sell such insurance through drug stores, restaurants, barber shops and various other outlets which are now handling the numbers game. I would let people bet on business affairs instead of on the foolish things they now bet on. This idea is sound statistically and ethically; it might offer a great future to thousands of returning servicemen.

Don't Forget Good Soil

Whatever your boys do, see that they own and live on an acre of fertile land within walking distance of post office, church and schools. In this connection, I am reminded of a wise old gentleman who used to visit my office. He was Hon. Westmoreland Davis, ex-Governor of Virginia. He always carried a steel suitcase. One day we asked him why he carried the odd suitcase. He replied, "Because it looks less like a carpet bag than any other type of hand luggage, and I want to forget carpet bags!" This opened up conversation with regard to the uncertainty of investments.

The old gentleman became deadly sincere and told us that we of the North could never understand what real chaos and tribulation could follow a war because we had never experienced it. He had lived through the Civil War and the Reconstruction Days. He said: "There was never any piece of paper representing the ownership of property that came through those evil days of the South. Our bonds were no good; our cash was worthless. There was only one thing that came through. **That was the land which we occupied.** Those of us who stuck to the land came through. Security owners, mortgage holders and absentee landlords were all wiped out." I do not mean to suggest that anything like this could happen here during the next 20 years, but it is wise to insure against everything.

Further Extension of Mail Service to Greece

Postmaster Albert Goldman announces information has been received from the Post Office Department, Washington 25, D. C., that effective Feb. 15, 1945, the limited mail service to Greece will be extended to include the island of Crete.

The service is restricted to non-illustrated postcards on personal or family matters.

The rate of postage is 3 cents for each card.

Manhattan Financial and Insurance Interests Organized for 1945 Red Cross War Fund

The financial world of Manhattan, embracing banks, exchanges, investment and insurance companies and related fields has been organized into 27 campaign units to support the Red Cross 1945 War Fund, it was announced on Feb. 5 by S. Sloan Colt, President of the Bankers Trust Company and Chairman of the financial section of the Red Cross Manhattan Commerce and Industry Committee.

The nation-wide Red Cross appeal has as its goal $200,000,000 to be devoted to direct aid and services to America's fighting men and service women, to their families at home and to essential wartime needs on the home front. Greater New York's share of this national figure has been set at $21,187,000.

The Red Cross Manhattan Commerce and Industry Committee headed by William B. Given, Jr., is the major fund-raising organization of the city-wide campaign, accounting for approximately two-thirds of the funds contributed. Mr. Colt's financial section is one of the key-groups of this committee. In additioin to serving as Chairman of the financial section, Mr. Colt also is a member of the Red Cross War Fund's Advisory Committee.

Serving with Mr. Colt as group and division Chairmen are: Henry E. Mendes, accountants; Charles D. Dickey, banks and Trust companies, brokerage and investments; Cecil F. Shallcross, British-American companies; Windsor C. Batchelder, credit agencies; William E. Thompson, credit loan companies; Lawrence S. Kennedy, downtown insurance brokers; Lincoln Cromwell, factors; Arthur O. Dietz, finance and loan companies; Fred W. Hautau, finance companies; Alfred Shriver, investment bankers; Bradford F. Story, investment counsellors; F. Wilder Bellamy, investment trusts; Eli Whitney Debevoise, lawyers; Alexander E. Patterson, life insurance agencies; Julian S. Myrick, life insurance companies, Hendon Chubb, marine companies and underwriters and general insurance; J. J. Magrath, marine insurance; Harry Lamy, mutual fire and reciprocal companies; Edwin Posner, New York Curb Exchange; John A. Coleman, New York Stock Exchange; Louis Braverman, personal loan companies; Gardner W. Taylor, savings and loan associations and credit loan companies; Clarence G. Michaelis, savings banks; Bernard M. Culver, stock fire insurance and fleet companies; Vincent Cullen, surety and fidelity bonding companies and casualty insurance companies; Charles J. Davis, textile factors; Frank Dunne, unlisted securities; Edward I. White, uptown insurance brokers.

Meeting to Inspect Silver Coinage

Mrs. Nellie Tayloe Ross, Director of the Mint, announced on Feb. 7 that members of an annual Assay Commission, appointed by the President, met at the Philadelphia Mint, Wednesday, Feb. 14, to conduct the tests provided by law to determine whether the nation's silver coinage measures up to standards of fineness and weight.

The assembling of a Commission, to supervise the assaying by experts of random-selected coins, is a safeguard of the nation's monetary system that has been exercised without interruption for 152 years, starting the year following the creation of the Mint.

This year the "pyx," or sample box, contains 261,064 silver coins, one out of each 2,000 produced by three coinage Mints, from the record 1944 production of 522,119,809 pieces. Manufacture of minor coins, which are excluded from the testing requirement, swelled the year's total production of domestic coins to more than 2,844,000,000 pieces.

From the "pyx" a representative number of coins will be taken for testing by the Commission.

The Treasury Department's advices continued:

Members of the Commission, who are paid expenses, but no salary, for their work, might well sense an invisible spectator in the austere shade of Alexander Hamilton, first Secretary of the Treasury, looking, perhaps with some amazement, at the prodigious pile of coins. For it was Hamilton who, back in 1791, in presenting to the Congress the result of his "inquiries and reflections" relative to the establishment of a Mint, suggested the system of sampling and testing. His suggestion was adopted, and the tradition has been observed since.

The first Secretary then described the English system of preserving promiscuously chosen samples of coinage in "a strong box, called the pix," for mass assaying by a jury of the Company of Goldsmiths.

Presidentially appointed members of this year's Commission are as follows:

Andrew Augustine, President of the Augustine Construction Company, 4401 Disston Street, Philadelphia; Mrs. Mabel E. Murphy, 8 East Union Street, Bordentown, N. J.; Mrs. Mary Riley, 131 Crystal Avenue, New London, Conn.; L. B. Macurdy, Division of Weights and Measures, National Bureau of Standards, Washington; J. J. Seefer, retired hotel executive and real estate dealer, 20 Blackstone Boulevard, Providence, R. I.; Mrs. David Levy, 300 Park Avenue, New York; Jordan L. Alperin, Vice-President of the Eastern Smelting and Refining Corp., 109 West Brookline Street, Boston; Max M. Schwartz, attorney, 152 West 42nd Street, New York; Robert Wilson, merchant, Lima, Ohio; H. Gleenwood Evans, former member of the Maryland House of Delegates and head of a seafood distributing company, Crisfield, Md.; Samuel F. Hoffberger, attorney, 215 North Calvert Street, Baltimore.

The ex-officio members designated by statute are:

Judge William H. Kirkpatrick, of the Federal District Court, Eastern District of Pennsylvania; Preston Delano, Comptroller of the Currency, Washington, and Joseph S. Buford, Assayer of the United States Assay Office, New York.

Mr. Macurdy will take to Philadelphia the official weights and measures to be used in the tests.

Accord on Defense Facilities Reached Between U.S. & Canada

The reaching of an agreement with Canada for disposition of defense facilities established there by the United States was announced on Jan. 31 by the War Department, according to Associated Press advices that day from Washington, which stated that, dividing the facilities into two classes—immovables, such as buildings, and movables — the agreement provides:

"Within three months the United States will furnish the Canadian Government with a list of the immovable facilities to be included in the agreement. Each Government then will appoint an appraiser to establish the 'fair market value' of each facility at the time and place of appraisal.

"In event of disagreement between two appraisers, they will choose a third, who will establish the value.

"The Canadian Government will pay to the United States the price established by the appraisers. Facilities not listed in the agreement will be relinquished, within a year after the end of hostilities, to either the Canadian Government or the Province in which they are situated, without cost.

"In the case of movable facilities, the United States will remove all those it desires. The Canadian Government then will arrange to buy any of the remaining articles it wants. Those still remaining will be transferred to an agency of the Canadian Government for sale or disposition.

"Proceeds from the sale of movables, less sales costs, will be paid to the United States Government, which will be represetned in all cases.

"Movables remaining unsold at the end of two years after they are transferred to the Canadian Government agency either will be declared valueless or removed from Canada by the United States Government."

According to the Associated Press, the announcement said that the agreement follows recommendations of the Permanent Joint Board on Defense. There was no immedate estimate of the value of facilities involved.

Purchasing of Homes In 1944 Helped to Prevent Inflation

The extra dollars of at least 320,000 families in the United States last year went into building up the owner's equity in homes purchased in 1944, and were thus withheld from the inflationary stream of cash exerting pressures on the prices of shorttime consumers' goods, the United States Savings and Loan League's Home Building and Home Owning Committee reported recently. The down payments made on homes purchased in 1944 through savings and loan associations and cooperative bank mortgage loans, plus the monthly reductions in the debt after the purchase had been made, are estimated to amount to approximately $365,000,000 for these families.

"They thus put an average of about $1,150 into the kind of durable goods, a home, which has always represented the principal wealth of the average American family," comments Henry P. Irr, Baltimore, Chairman of the Committee. The figures are for purchase of existing houses only since no very large proportion of houses built in 1944 were for owner occupancy.

He pointed out that the down payments made in connection with savings and loan financing of 1944 home purchases represented some $350,000,000 in cash, and that an additional $15,000,000 had been paid off the debt on these 1944-bought homes before the end of the year.

"This latter figure is a conservative estimate, in view of the fact that many home-buyers last year made larger monthly payments on the principal than an ordinary 15-year loan repayment schedule would call for," he pointed out. "Because of the present natural differences of opinion about where real estate prices may go from 1944 and 1945, the lending institutions have encouraged borrowers to reduce the debt on their properties more rapidly in these first years of the undertaking, seeing that money is plentiful in their pockets now but the future abundance of it in those same pockets cannot be assured."

Mr. Irr said that this form of saving money has to be counted in with the rest of the savings with which the American people have been piling up a record, since a debt-free home has always been reckoned an island of economic safety in the midst of any kind of stresses which may lie ahead.

Building Permit Valuations 7% Over Last Year, Says Labor Department

The value of non-Federal building construction started in urban areas of the United States during the calendar year 1944 was 7% above 1943, Secretary of Labor Frances Perkins reported on Feb. 3. "Federal building dropped 43%, however, causing the value of all building started to decrease from 1.3 to 1.1 billion dollars," she said.

"The increase by nearly one-third in the value of additions, alterations, and repairs in 1944 was more than offset by a net decline of about 42 and 7%, respectively, in new residential and new non-residential values. Additions, alterations, and repairs rose on both Federally and non-Federally financed projects and new residential work decreased on both types. In the case of new non-residential building, however, the 27% decrease in Federal work was in contrast to a 60% increase on other projects.

Valuation of Building Construction in All Urban Areas, by Class of Construction 12 Months of 1943 and 1944

	Total			Federal		
	*1944	1943		*1944	1943	
Class of construction—	(In thousands of dollars)		Percentage change	(In thousands of dollars)		Percentage change
All construction	1,086,203	1,289,176	—15.7	331,577	585,486	—43.4
New residential	342,239	586,531	—41.7	54,047	211,363	—74.4
New nonresidential	430,227	463,458	— 7.2	259,291	356,805	—27.3
Additions, alterations and repairs	313,737	239,187	+31.2	18,239	17,318	+ 5.3

*Preliminary. Subject to revision upon receipt of late reports for December 1944.

The Labor Department advices of Feb. 3 continued:

"The value of building undertaken in December, 1944 (around 70 million dollars worth) showed a seasonal decline from November of nearly a fourth. Both Federal and non-Federal values decreased and in about the same proportion. New residential building showed a small net gain because of an upturn in Federal housing in the Pacific region.

"While the total volume of work started in December, 1944, was nearly a third below the previous December, non-Federal work was only a fifth lower, principally because of the 18% increase in new nonresidential building.

Percentage Change in the Value of Building Construction in All Urban Areas November to December 1944 and December 1943 to December 1944

	Percentage change from					
	Nov. 1944 to Dec. 1944			Dec. 1943 to Dec. 1944		
Class of construction—	Total	Other than Federal	Federal	Total	Other than Federal	Federal
All construction	—22.5	—22.1	—23.5	—31.7	—19.8	—48.6
New residential	+ 0.5	—21.1	+88.5	—47.0	—49.9	—41.2
New nonresidential	—30.7	—11.9	—45.5	—35.4	+18.1	—59.1
Additions, alterations and repairs	—29.3	—28.6	—34.9	+ 5.4	— 0.2	+94.0

"The total of 8,185 dwelling units for which permits were issued or Federal contracts awarded during December, 1944, was 2% above the November total, but 43% below that for December, 1943. Approximately three-fifths, or 4.969, were privately financed; 3,216 were in Federal war housing projects."

The figures on building construction cover the entire urban area of the United States, which, by Census definition, includes all incorporated places with a 1940 population of 2,500 or more and by special rule, a small number of unincorporated civil divisions. The volume of privately financed construction is estimated from the building permit data received from a large majority of all urban places and these estimates are combined with data on building construction contracts awarded as furnished by Federal and State agencies. All figures for the current month are preliminary. Upward revisions in Federally financed nonresidential construction may be expected due to late notifications of contracts awarded.

Principal centers of various types of building construction for which permits were issued or contracts were awarded in December, 1944, except projects which have been excluded because of their confidential nature were: Bridgeport, Conn., 1 church to cost $222,000; Worcester, Mass., 1 factory to cost $283,000; Nutley, N. J., 5 apartments providing 84 units to cost $260,000; Berkeley, Ill., 49 one-family dwellings to cost $245,000; Chicago, Ill., 252 one-family dwellings to cost $1,154,800; Cicero, Ill., 180 one-family dwellings to cost $900,000; South Bend, Ind., 1 factory to cost $200,000; St. Joseph, Mich., 32 one-family dwellings to cost $192,000; Minneapolis, Minn., 64 one-family dwelling to cost $329,000; Kansas City, Mo., 1 apartment providing 191 units to cost $400,000; Washington, D. C., 167 one-family dwellings to cost $561,000; Miami, Fla., 35 one-family dwellings to cost $160,800, 6 units in two-family to cost $30,000, and 1 apartment providing 16 units to cost $33,000; Baltimore, Md., 104 units in two-family dwellings to cost $266,000; Memphis, Tenn., 55 one-family dwellings to cost $198,300; Alexandria, La., 1 institution to cost $170,366; New Orleans, La., 77 one-family dwellings to cost $211,900 and 268 units in two-family dwellings to cost $580,800; Galveston, Texas, 88 one-family dwellings to cost $207,676; Houston, Texas, 67 one-family dwellings to cost $238,400; Phoenix, Ariz., 41 one-family dwellings to cost $188,600; Bakersfield, Calif., 63 one-family dwellings to cost $268,900; Huntington Beach, Calif., 45 one-family dwellings to cost $225,000; Los Angeles, Calif., 132 one-family dwellings to cost $349,116; Newport Beach, Calif., 1 institution to cost $121,900; Seattle, Wash., 60 one-family dwellings to cost $313,100; Spokane, Wash., 1 institution to cost $109,246.

In addition, contracts were also awarded during December for the following Federally financed projects containing the indicated number of housekeeping units: Alameda, Calif., $763,500 for 340 units; Albany, Calif., $248,824 for 100 units; Coronado, Calif., $832,000 for 248 units; Los Angeles, Calif., $149,932 for 88 units; Livermore, Calif., $317,433 for 124 units; Long Beach, Calif., $639,429 for 268 units; Oakland, Calif., $69,990 for 20 units; Oceanside, Calif., $1,118,642 for 448 units; San Diego, Calif., $2,164,148 for 808 units; San Francisco, Calif., $1,626,347 for 696 units; Santa Ana, Calif., $192,633 for 76 units.

Weekly Coal and Coke Production Statistics

The Solid Fuels Administration, U. S. Department of the Interior, in its latest report, states that the total production of soft coal in the week ended Feb. 3, 1945, is estimated at 11,360,000 net tons, a decrease of 320,000 tons, or 2.7%, from the preceding week. Output in the corresponding week of 1944 amounted to 12,850,000 tons. For the calendar year to Feb. 3, 1945, soft coal production totaled 57,725,000 tons, a decrease of 10.6% when compared with the 64,560,000 tons produced in the calendar year to Feb. 5, 1944.

According to the U. S. Bureau of Mines, production of Pennsylvania anthracite for the week ended Feb. 3, 1945, was estimated at 842,000 tons, a decrease of 117,000 tons (12.2%) from the preceding week. When compared with the output in the corresponding week in 1944 there was a decrease of 422,000 tons, or 33.4%. Production for the calendar year to date amounted to 4,715,000 tons, as against 6,088,000 tons in the corresponding period in 1944.

The Bureau also reported that the estimated production of beehive coke in the United States for the week ended Feb. 3, 1945, showed an increase of 600 tons when compared with the output for the week ended Jan. 27, 1945, but was 68,700 tons less than for the corresponding week of 1944.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE IN NET TONS

	Week Ended			Jan. 1 to Date	
Bituminous coal & lignite—	Feb. 3, 1945	Jan. 27, 1945	Feb. 5, 1944	*Feb. 3, 1945	Feb. 5, 1944
Total, including mine fuel	11,360,000	11,680,000	12,850,000	57,725,000	64,560,000
Daily average	1,893,000	1,947,000	2,142,000	1,950,000	2,103,000

*Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE
(In Net Tons)

	Week Ended			Calendar Year to Date		
Penn. anthracite—	‡Feb. 3, 1945	§Jan. 27, 1945	Feb. 5, 1944	Feb. 3, 1945	Feb. 5, 1944	Feb. 6, 1937
*Total incl. coll. fuel	842,000	959,000	1,264,000	4,715,000	6,088,000	5,329,000
†Commercial produc.	808,000	921,000	1,213,000	4,526,000	5,844,000	5,063,000
Beehive coke—						
United States total	96,000	95,400	164,700	479,600	828,800	339,100

*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES
(In Net Tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended		
State—	Jan. 27, 1945	Jan. 20, 1945	Jan. 29, 1944
Alabama	380,000	376,000	409,000
Alaska	7,000	7,000	5,000
Arkansas and Oklahoma	112,000	107,000	108,000
Colorado	176,000	171,000	195,000
Georgia and North Carolina	1,000	1,000	1,000
Illinois	1,518,000	1,495,000	1,649,000
Indiana	550,000	578,000	545,000
Iowa	65,000	63,000	53,000
Kansas and Missouri	204,000	176,000	188,000
Kentucky—Eastern	1,030,000	1,030,000	958,000
Kentucky—Western	388,000	354,000	360,000
Maryland	35,000	36,000	38,000
Michigan	3,000	2,000	4,000
Montana (bitum. & lignite)	103,000	110,000	99,000
New Mexico	35,000	35,000	38,000
North & South Dakota (lignite)	72,000	79,000	76,000
Ohio	660,000	670,000	674,000
Pennsylvania (bituminous)	2,340,000	2,715,000	3,060,000
Tennessee	152,000	143,000	171,000
Texas (bituminous & lignite)	5,000	4,000	6,000
Utah	152,000	140,000	127,000
Virginia	410,000	385,000	437,000
Washington	31,000	35,000	36,000
†West Virginia—Southern	2,267,000	2,145,000	2,363,000
‡West Virginia—Northern	715,000	888,000	1,023,000
Wyoming	218,000	214,000	206,000
§Other Western States	1,000	1,000	1,000
Total bituminous & lignite	11,680,000	11,960,000	12,830,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral and Tucker counties. §Includes Arizona and Oregon.

Civil Engineering Construction $20,591,000 For Week

Civil engineering construction volume in continental United States totals $20,591,000 for the week. This volume, not including the construction by military engineers abroad, American contracts outside the country, and shipbuilding is 28% lower than in the preceding week, 11% below the total reported by "Engineering News-Record" for the corresponding 1944 week, and 4% under the previous four-week moving average. The report went on to say:

Private construction tops last week by 16%, and is 102% higher than in the week last year. Public construction is 44 and 36% lower, respectively, than a week ago and a year ago, due to the decreased volume of Federal work. State and municipal construction is 6% above last week, and 24% over last year.

The current week's construction brings 1945 volume to $137,500,000 for the six weeks, a decrease of 36% from the $215,192,000 reported for the 1944 period. Private construction, $48,334,000, is 1% higher than last year, but public construction, $89,166,000, is down 47% as a result of the 55% drop in Federal volume. State and municipal work is up 72% compared with a year ago.

Civil engineering construction volume for the 1944 week, last week, and the current week are:

	Feb. 10, 1944	Feb. 1, 1945	Feb. 8, 1945
Total U. S. Construction	$23,151,000	$28,716,000	$20,591,000
Private Construction	4,243,000	7,403,000	8,569,000
Public Construction	18,908,000	21,313,000	12,022,000
State and Municipal	1,969,000	2,317,000	2,451,000
Federal	16,939,000	18,996,000	9,571,000

In the classified construction groups, gains over last week are in bridges, commercial buildings, earthwork and drainage, and streets and roads; and gains over the 1944 week are in waterworks, bridges, and industrial and commercial buildings. Subtotals for the week in each class of construction are: Waterworks, $507,000; sewerage, $169,000; bridges, $860,000; industrial buildings, $2,108,000; commercial building and large-scale private housing, $4,760,000; public buildings $6,487,000; earthwork and drainage, $262,000; streets and roads, $950,000; and unclassified construction, $4,488,000.

New capital for construction purposes for the week totals $4,152,000, and is made up entirely of State and municipal bond sales. New construction financing for 1945 to date, $189,023,000 is 23% higher than the $153,074,000 reported for the six-week period in 1944

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table.

MOODY'S BOND PRICES†
(Based on Average Yields)

1945— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Feb. 13	121.64	114.27	120.02	118.40	114.08	105.69	109.97	114.08	119.20
12	Stock	Exchange	Closed.						
10	121.59	114.27	119.82	118.40	114.08	105.69	109.97	114.08	119.23
9	121.58	114.27	119.82	118.40	114.08	105.69	109.97	114.08	119.20
8	121.55	114.27	119.82	118.40	114.08	105.52	109.97	114.08	119.20
7	121.53	114.08	119.61	118.20	114.08	105.52	109.79	113.89	118.80
6	121.44	114.08	119.82	118.20	113.89	105.52	109.79	114.08	118.80
5	121.44	114.08	119.82	118.00	113.89	105.52	109.79	113.89	118.80
3	121.37	114.08	119.82	118.20	113.89	105.34	109.60	114.08	118.80
2	121.33	114.08	119.82	118.00	113.89	105.34	109.60	114.08	118.80
1	121.11	113.89	119.61	118.00	113.70	105.34	109.42	113.89	118.80
Jan. 26	120.88	113.89	119.41	118.00	113.70	105.17	109.24	113.89	118.60
19	121.09	113.70	119.20	118.00	113.70	105.00	108.88	113.70	118.60
12	121.25	113.70	119.00	118.00	113.50	104.83	109.06	113.70	118.40
5	120.66	113,50	119,00	117.80	113.50	104.66	108.70	113.89	118.20
High 1945	121.64	114.27	120.02	118.40	114.08	105.69	109.97	114.08	119.20
Low 1945	120.55	113.50	118.80	117.80	113.31	104.48	108.52	113.70	118.20
1 Year Ago									
Feb. 11, 1944	119.69	111.25	118.40	116.22	111.25	100.49	104.31	113.50	116.41
2 Years Ago									
Feb. 13, 1943	117.12	108.88	117.60	115.24	110.15	94.86	99.36	112.93	115.63

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1945— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Feb. 13	1.72	2.94	2.65	2.73	2.95	3.41	3.17	2.95	2.69
12	Stock	Exchange	Closed.						
10	1.72	2.94	2.66	2.73	2.95	3.41	3.17	2.95	2.69
9	1.72	2.94	2.66	2.73	2.95	3.41	3.17	2.95	2.69
8	1.72	2.94	2.66	2.73	2.95	3.42	3.17	2.95	2.69
7	1.72	2.95	2.67	2.74	2.95	3.42	3.18	2.96	2.71
6	1.73	2.95	2.66	2.74	2.96	3.42	3.18	2.95	2.71
5	1.73	2.95	2.66	2.75	2.96	3.42	3.18	2.96	2.71
3	1.73	2.95	2.66	2.74	2.96	3.43	3.19	2.95	2.71
2	1.73	2.95	2.66	2.75	2.96	3.43	3.19	2.95	2.71
1	1.75	2.96	2.67	2.75	2.97	3.43	3.20	2.96	2.71
Jan. 26	1.77	2.96	2.68	2.75	2.97	3.44	3.21	2.96	2.72
19	1.75	2.97	2.69	2.75	2.97	3.45	3.23	2.97	2.72
12	1.74	2.97	2.70	2.75	2.98	3.46	3.22	2.97	2.73
5	1.79	2.98	2.70	2.76	2.98	3.47	3.24	2.96	2.74
High 1945	1.80	2.98	2.71	2.76	2.99	3.48	3.25	2.97	2.74
Low 1945	1.72	2.94	2.65	2.73	2.95	3.41	3.17	2.95	2.69
1 Year Ago									
Feb. 11, 1944	1.85	3.10	2.73	2.84	3.10	3.72	3.49	2.98	2.83
2 Years Ago									
Feb. 13, 1943	2.06	3.23	2.77	2.89	3.16	4.08	3.79	3.01	2.87

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

Steel Production Rises Sharply — Pig Iron Ceiling Prices Up—Export Locomotives Placed

"Most steel districts which had been affected by weather conditions and freight embargoes have seen their steel ingot rate expanded somewhat this week, with the result that steel ingot operations for the country rose sharply this week to approximately 93% of capacity," states "The Iron Age" in its issue of today (Feb. 15), which further goes on to say:

"At long last, pig iron producers this week were permitted to raise the price of all grades, except charcoal, $1 a ton on the base price. This move by OPA, which became effective Feb. 14, will undoubtedly give some measure of relief to pig iron producers, especially the smaller furnaces, which have had rough going because of accumulated raw material costs. While the OPA decision will not satisfy many in the trade, nevertheless it was hailed as a step in the right direction. The increase is the first over-all hike in pig iron ceiling prices since control began and when the pig iron schedule was issued on June 24, 1941.

"According to reports, the OPA is now working on a revision of warehouse prices and increases in some categories are expected to be permitted soon. The interim steel price increases announced on Jan. 11 applied to mill quotations and left the warehouses to absorb these higher prices on most items. The OPA, after studying warehouse price data, will apparently attempt to compensate for this situation.

"Even though raw steel output has regained some lost ground this week, Pittsburgh reports that a car shortage there will likely present a difficult problem in shipping finished steel out of the mills. For the first time there operations in the finishing end have been specifically affected by this car shortage. Despite the present seriousness of the railroad car supply, steel operators display a more optimistic tone.

"More favorable war news has caused no dwindling in the flood of new orders. One major steel prodcer indicates that orders during the past two weeks have been double that of shipments. Current emphasis in order volume is on sheets, rails, semi-finished steel and tin plate.

"The increased use of directives in order to obtain material promptly appears to be the outstanding pattern in the order situation. Hardship among customers is likely to result because of this condition. Caught flat-footed by the rapid extension of delivery dates, and in some instances periled by delaying carryovers through no fault of their own, certain types of war goods makers are waking up to the fact that only order directives will enable them to secure material in time to meet their contracts. This is particularly true for sheets.

"Hit hard by the terrific demand for war steel have been the concrete bar makers and the building trades using this item. Deliveries previously scheduled for April and May are being pushed back into June and July and proposed building schedules will be similarly delayed.

"At Cleveland steel companies report the biggest backlog since the war began. Opinion there holds that the number of small orders is impressive because many consumers are hesitant about piling up too much inventory. Some steel users are not ordering the full amount of steel needed on any given program but are content to take delivery as allotted. This, it is said, results in last-minute hurry-up calls for material which can only be satisfied by more WPB directives."

The American Iron and Steel Institute on Feb. 12, announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 92.8% of capacity for the week beginning Feb. 12, compared with 89.3% one week ago, 93.6% one month ago and 97.7% one year ago. The operating rate for the week beginning Feb. 12 is equivalent to 1,673,900 tons of steel ingots and castings, compared to 1,610,800 tons one week ago, 1,688,400 tons one month ago, and 1,750,000 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on Feb. 12, stated in part as follows: "Adverse weather conditions and traffic congestion are causing producers to lose ground in their attempt to get in raw materials, pig iron, scrap, fuel oil, coal and coke in particular, and steel buyers are running further behind in receipt of needed finished material.

"While current embargoes probably will prove generally beneficial in the long run and are helping in movement of munitions and other essentials they have tied up temporarily shipments of many items needed in production of these essentials.

"This situation, linked with further substantial buying, is forcing delivery schedules back all along the line. Sheet delivery promises fall generally well into third quarter, with carbon bars not far behind. In some grades and sizes of these products some producers are booked into fourth quarter. In plates, which are in less demand than formerly, several sellers quote June, with at least one large sheared plate producer offering April delivery.

"Scrap supply to consumers has been curtailed by snow blockades and by shortages of yard workers. Collection and preparation have been limited by both these factors.

"Following heavy orders for freight cars late last year only 7,200 were placed in January and decreased buying is expected for following months. The locomotive market is enlivened by purchase of 200 additional locomotives by the French provisional government, bringing its total to 700, and placing of 500 for Russia. These were placed mainly with American Locomotive Co. and Baldwin Locomotive Works, with part of the French order going to Lima Locomotive Works."

Moody's Daily Commodity Index

Tuesday, Feb. 6, 1945	254.0
Wednesday, Feb. 7	254.0
Thursday, Feb. 8	253.2
Friday, Feb. 9	253.2
Saturday, Feb. 10	253.3
Monday, Feb. 12	*
Tuesday, Feb. 13	254.4
Two weeks ago, Jan. 30	252.5
Month ago, Jan. 13	254.0
Year ago, Feb. 12, 1944	249.0
1943 High, April 1	249.8
Low, Jan. 2	240.2
1944 High, Jan. 8	255.3
Low, Jan. 24	252.1

*Holiday.

Latest Summary of Copper Statistics

The Copper Institute on Feb. 9 released the following statistics pertaining to production, deliveries and stocks of duty-free copper:

SUMMARY OF COPPER STATISTICS REPORTED BY MEMBERS OF THE COPPER INSTITUTE

(In Tons of 2,000 Pounds)

U. S. Duty Free Copper	Production *Crude	Production Refined	Deliveries to Customers †Domestic	Deliveries to Customers Export	‡Refined Stocks End of Period	Stock Increase (+) or Decreases (—) Blister	Stock Increase (+) or Decreases (—) Refined
Year 1939	836,074	818,289	814,407	134,152	159,485	+17,785	—130,270
Year 1940	992,293	1,033,710	1,001,886	48,537	142,772	—41,417	— 16,713
Year 1941	1,016,996	1,065,667	1,545,541	307	75,564	—48,671	— 67,208
Year 1942	1,152,344	1,135,708	1,635,236	----	65,309	+16,636	— 10,255
Year 1943	1,194,699	1,206,871	1,643,677	----	52,121	—12,172	— 13,188
Year 1944	1,056,180	1,098,788	1,636,295	----	66,780	—42,608	+ 14,659
Jan., 1944	95,400	92,781	101,779	----	45,800	+ 2,619	— 6,321
Feb., 1944	95,712	87,128	124,800	----	36,489	+ 8,584	— 9,311
Mar. 1944	101,247	99,118	156,083	----	37,259	+ 2,129	+ 770
Apr., 1944	92,530	95,280	156,233	----	38,382	— 2,750	+ 1,123
May, 1944	94,534	98,580	165,887	----	37,074	— 4,046	— 1,308
June, 1944	89,070	93,968	141,139	----	42,467	— 4,888	+ 5,393
July 1944	86,224	93,650	121,898	----	48,050	— 1,426	+ 5,583
Aug., 1944	82,769	91,047	139,515	----	50,991	— 8,278	+ 2,941
Sept., 1944	82,776	88,384	118,054	----	51,412	— 5,608	+ 421
Oct., 1944	82,653	89,068	126,590	----	49,358	— 6,415	— 2,054
Nov., 1944	76,466	87,145	127,517	----	58,051	—10,679	+ 8,692
Dec., 1944	76,799	82,649	156,800	----	66,780	— 5,850	+ 8,729
Jan., 1945	73,640	67,726	145,904	----	59,715	+ 5,914	— 7,065

*Mine or smelter production or shipments, and custom intake including scrap.

†Beginning March, 1941, includes deliveries of duty paid foreign copper for domestic consumption.

‡At refineries on consignment and in exchange warehouses, but not including consumers' stocks at their plants or warehouses.

Note—Statistics for the month of December, 1944 and for the calendar year 1944 have been revised.

National Fertilizer Association Commodity Price Index Advances Slightly

The weekly wholesale commodity price index, compiled by The National Fertilizer Association and made public on Feb. 12, advanced fractionally to its previous peak of 140.1 in the week ending Feb. 10, 1945, from 140.0 in the preceding week. A month ago the index stood at 139.9 and a year ago at 137.0, based on the 1935-1939 average at 100. The report added:

Only one of the composite groups of the index advanced during the week. The textiles index showed a slight rise reflecting the prices of raw cotton. The foods index was unchanged, although the fats and oils and cottonseed oil subgroups advanced slightly became of higher quotations for cottonseed oil. The advance in the prices for potatoes offset the decline in the price for eggs. The farm products group remained unchanged. The subgroups of cotton and grains advanced and that for livestock declined with all changing prices moving within a narrow range. Wheat quotations were mixed and those for rye declined. Prices for good cattle declined while higher quotations were given for calves, lambs and sheep. Egg prices also declined seasonally. All other groups in the index remained the same.

During the week 7 price series in the index advanced and 4 declined; in the preceding week there were 7 advancs and 4 declines; in the second preceding week there were 9 advances and 3 declines.

WEEKLY WHOLESALE COMMODITY PRICE INDEX

Compiled by The National Fertilizer Association

1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Feb. 10, 1945	Preceding Week Feb. 3, 1945	Month Ago Jan. 13, 1945	Year Ago Feb. 12, 1944
25.3	Food	142.9	142.9	144.2	139.0
	Fats and Oils	145.3	144.9	144.6	146.1
	Cottonseed Oil	163.1	161.8	160.7	159.6
23.0	Farm Products	165.0	165.0	164.8	155.9
	Cotton	203.4	202.9	207.8	197.5
	Grains	162.7	161.8	159.4	164.8
	Livestock	159.9	160.3	159.7	146.3
17.3	Fuels	130.4	130.4	130.4	130.1
10.8	Miscellaneous Commodities	133.4	133.4	133.4	131.4
8.2	Textiles	155.5	155.4	156.2	151.5
7.1	Metals	106.4	106.4	105.8	104.4
6.1	Building Materials	154.1	154.1	154.1	152.4
1.3	Chemicals and Drugs	125.4	125.4	125.4	127.7
.3	Fertilizer Materials	118.3	118.3	118.3	117.7
.3	Fertilizers	119.9	119.9	119.9	119.7
.3	Farm Machinery	104.8	104.8	104.8	104.2
100.0	All groups combined	140.1	140.0	139.9	137.0

*Indexes on 1926-1928 base were: Feb. 10, 1945, 109.1; Feb. 3, 1945, 109.1, and Feb. 12, 1944, 106.7.

Wholesale Prices for Week Ended February 3

Average prices for commodities at the primary market level moved within a very narrow range during the week ended Feb. 3, said the weekly report issued by the U. S. Department of Labor on Feb. 8, which continued by saying:

"Minor declines in prices for farm products, foods and metals and metal products were offset by slight increases for textile products, fuel and lighting materials, house furnishing goods and miscellaneous commodities. The all-commodity index remained unchanged at 104.7% of the 1926 average, 0.1% higher than at this time last month and 1.6% higher than a year ago." The Department further said:

"**Farm Products and Foods**—Seasonally lower prices for eggs together with fractional declines in prices for corn and wheat, and lower quotations for steers, cotton, apples and potatoes accounted for a decline of 0.1% in average prices for farm products in primary markets during the week. Higher prices were reported for oats and rye, for cows and sheep, and for lemons, oranges and onions. In the past four weeks prices for farm products have dropped 0.2% but were nearly 3% higher than early in February a year ago.

"Average prices for foods also declined 0.1% during the week. In addition to a 3.6% decrease for eggs and lower quotations for apples and potatoes, wheat flour was lower at the Kansas City mills. Rye flour, on the contrary, advanced more than 4%. Since early in January prices for foods have dropped 0.3% and were only 0.1% higher than at this time last year.

"**Industrial Commodities**—An upward adjustment in ceiling prices resulted in an increase of $4.00 per ton for wood pulp late in January. Higher prices were also permitted for blankets. The textile products group index advanced slightly as a result of increased prices for shirting.

"Higher sales realization prices for electricity brought the fuel and lighting materials index up 0.1%. In the building materials group higher prices for turpentine were counterbalanced by lower prices for maple flooring and the building materials group index remained unchanged at last week's level.

"A slight reaction occurred in the mercury market and prices dropped 1.4% when it was believed that certain producers who had been withholding mercury for higher prices would become impatient and release their supplies."

The Labor Department included the following notation in their report:

Note—During the period of rapid changes caused by price controls, materials allocation, and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. The indexes must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following tables show: (1) index numbers for the principal groups of commodities for the past three weeks, for Jan. 6, 1945 and Feb. 5, 1944, and the percentage changes from a week ago, a month ago and a year ago, and (2) percentage changes in subgroup indexes from Jan. 27, 1945 to Feb. 3, 1945:

WHOLESALE PRICES FOR WEEK ENDED FEB. 3, 1945

(1926=100)

Commodity Groups—	2-3 1945	1-27 1945	1-20 1945	1-6 1945	2-5 1944	Percentage change to Feb. 3, 1945 from— 1-27 1945	1-6 1945	2-5 1944
All commodities	104.7	104.7	104.8	104.6	103.1	0	+0.1	+ 1.6
Farm products	125.7	125.8	126.6	125.9	122.1	—0.1	—0.2	+ 2.9
Foods	104.3	104.4	105.0	104.6	104.2	—0.1	—0.3	+ 0.1
Hides and leather products	117.9	117.9	117.9	117.9	117.7	0	0	+ 0.2
Textile products	99.1	99.0	99.0	99.0	97.2	+0.1	+0.1	+ 2.0
Fuel and lighting materials	84.0	83.9	83.9	83.6	83.2	+0.1	+0.5	+ 1.0
Metals and metal products	104.2	104.3	104.2	103.9	103.8	—0.1	+0.3	+ 0.4
Building materials	116.7	116.7	116.7	116.4	113.5	0	+0.3	+ 2.8
Chemicals and allied products	*94.9	94.9	94.9	94.9	95.1	0	0	— 0.2
Housefurnishing goods	106.2	106.1	106.1	106.1	104.4	+0.1	+0.1	+ 1.7
Miscellaneous commodities	94.1	94.0	94.0	93.9	93.0	+0.1	+0.2	+ 1.2
Raw materials	115.3	115.3	115.8	115.4	112.4	0	—0.1	+ 2.6
Semimanufactured articles	94.8	94.8	94.8	94.7	93.2	0	+0.1	+ 1.7
Manufactured products	101.6	101.6	101.6	101.3	100.5	0	+0.3	+ 1.1
All commodities other than farm products	100.1	100.0	100.0	99.9	99.0	+0.1	+0.2	+ 1.1
All commodities other than farm products and foods	99.3	99.3	99.3	99.1	98.0	0	+0.2	+ 1.3

*Revised. The revised weekly and monthly index numbers back to October, 1941 are available in mimeographed form upon request.

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM JAN. 27, 1945 TO FEB. 3, 1945

Increases

Fruits and vegetables	0.6	Cotton goods	0.3
Livestock and poultry	0.5	Paper and pulp	0.2
Furnishings	0.1		

Decreases

Other foods	0.7	Other farm products	0.6
Grains	0.2		

Non-Ferrous Metals — Antimony Allocation Imposed by WPB — Lead Order Amended

"E. & M. J. Metal and Mineral Markets," in its issue of Feb. 8, stated: "Antimony was returned to full control last week to maintain an adequate supply for the war program. The expected revision of the lead order was announced by WPB, halting the sale of various non-essential items now on the prohibited list, and increasing moderately the percentage of lead available for production of civilian storage batteries in the first-quarter period. The order regulating inventories of sheet aluminum was tightened. Quicksilver was offered more freely, yet prices averaged about $2 per flask above the level established in the preceding week." The publication further went on to say in part as follows:

Copper

Requests for copper remain large. Consumers are buying March metal in volume, which points to another month of heavy shipments.

During January 5,750 metric tons of copper were earmarked here for shipment to France, it was stated officially. In the next six months about 12,000 tons will be set aside for that country under the war program.

Lead

General Preference Order M-38 amended Feb. 1, 1945, increases the allowable use of lead in storage batteries for civilian use during the first quarter of 1945 from 30% of the 1944 base period to 37½%, with subsequent allotments for quarterly periods to be announced. Lead uses were also liberalized moderately where the essentiality in the war effort had been established and substitutions cannot be effected.

Restrictions were tightened through redefining lead to include scrap lead and any alloy containing 50% or more by weight of metallic lead.

WPB announced that unless the uses of lead for non-essential purposes are substantially curtail- further drastic restrictions are inevitable.

Demand for lead last week was active, sales involving 12,366 tons, against 9,095 tons in the preceding week.

Canada is preparing to increase production of lead. Mine output in Canada dropped from a monthly high of 16,355 tons in January, 1944, to 9,185 tons in October.

Zinc

Though imports of zinc from Canada and Austria are expected to increase, the market situation in Special High Grade and Prime Western remains tight. The trend of events in Europe may have a bearing on the question of whether allocation will be necessary. The supply outlook will be reviewed at the next meeting of the advisory committee. Demand for zinc last week was quite active.

Magnesium Production

Magnesium production dropped sharply during November, owing chiefly to decreased requirements. Output of primary metal in November totaled 12,475,000 lb., against 16,611,000 lb. in October and 18,463,000 lb. in September. The monthly peak in production during 1944 was 41,100,000 lb. in January.

Recovery of secondary magnesium in November came to 2,121,000 lb., against 2,819,000 lb. in October, according to the Aluminum and Magnesium Division, WPB.

The November and October magnesium statistics, in pounds, follow:

	Nov.	Oct.
Primary magnesium	12,475,000	16,611,000
Secondary magnesium	2,121,000	2,819,000
Product shipments:		
Sand castings	5,919,000	6,062,000
Permanent mold	521,000	515,000
Die castings	199,000	161,000
Forgings	25,000	25,000
Extrusions	664,000	1,130,000
Sheet, strip, etc.	161,000	153,000

The figures on fabricated products do not cover incendiary bomb body castings, extruded sheet stocks, forging stock, and sticks.

Antimony

The heavy demand for antimony oxide for flameproofing tents, etc., and manufacturing flame-retarding paint for the war program has created a tight situation in the metal. Under revised Order M-112, effective Feb. 10, 1945, the Tin-Lead-Zinc Division of WPB will assume full control of the deliveries and use of antimony. Consumption now exceeds production, and the stockpile is being reduced appreciably.

Aluminum

Under Direction 21 to CMP 2, issued by WPB on Feb. 1, a user of 10,000 lb. or more a month of aluminum sheet, strip, or plate is not permitted to accept delivery if its inventory, because of such acceptance, would exceed 30 days' requirements for authorized production. Users previously were limited to 60 days. The inventory restrictions were imposed because of heavy demands for aluminum in these forms.

Tin

The outlook for tin has not changed, and WPB regulations are not expected to ease for some time to come. In fact, so far as tin-plate operations are concerned, it is thought that production might be reduced somewhat in the second quarter, and electrolytic lines may be called upon to carry a greater load to conserve on tin.

Details of the price advance agreed upon for Bolivian tin concentrate have not been ironed out as yet, but producers look forward to an early settlement.

Straits quality tin continues at 52c. per pound, with shipment prices nominally as follows:

	Feb.	March	April
February 1	52.000	52.000	52.000
February 2	52.000	52.000	52.000
February 3	52.000	52.000	52.000
February 5	52.000	52.000	52.000
February 6	52.000	52.000	52.000
February 7	52.000	52.000	52.000

Chinese, or 99% tin, continued at 51.125c. per pound.

Quicksilver

Favorable war news, coupled with rumors to the effect that metal is being offered here for shipment from Spain, caused some irregularity in prices. Early in the week some sellers raised their views to $175, but before the week ended business was transacted in round lots at prices ranging from $167 to $172 per flask. So far as could be learned, there have been no firm offers of Spanish metal, but dealers did ask consumers to submit bids on prospects of doing business. In spite of this development, the tone of the market was generally regarded as firm.

Silver

The London market was quiet and the price unchanged at 25½d. per fine ounce. The New York Official for foreign silver continued at 44¾c., with domestic metal at 70⅝c.

Daily Average Crude Oil Production for Week Ended Feb. 3, 1945 Declined 3,750 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Feb. 3, 1945, was 4,723,400 barrels, a decrease of 3,750 barrels when compared with the preceding week, and 33,400 barrels below the daily average figure recommended by the Petroleum Administration for War for the month of February, 1945. The current figure, however, exceeded the output in the week ended Feb. 5, 1944, by 323,250 barrels per day. Daily production for the four weeks ended Feb. 3, 1945, averaged 4,726,750 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,662,000 barrels of crude oil daily and produced 14,535,000 barrels of gasoline; 1,325,000 barrels of kerosine; 4,559,000 barrels of distillate fuel, and 9,377,000 barrels of residual fuel oil during the week ended Feb. 3, 1945, and had in storage at the end of the week; 47,660,000 barrels of civilian grade gasoline; 43,374,000 barrels of military and other gasoline; 8,796,000 barrels of kerosine; 32,370,000 barrels of distillate fuel, and 50,451,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommendations February	*State Allowables Begin. Feb. 1	Actual Production Week Ended Feb. 3, 1945	Change from Previous Week	4 Weeks Ended Feb. 3, 1945	Week Ended Feb. 5, 1944
Oklahoma	360,000	360,500	†363,800	+ 1,900	362,250	328,500
Kansas	274,000	269,400	†257,400	— 9,850	268,450	266,900
Nebraska	1,000	----	†950	----	950	1,100
Panhandle Texas			88,700	----	88,700	102,000
North Texas			143,150	----	143,150	139,950
West Texas			478,600	----	478,600	362,000
East Central Texas			144,050	----	144,050	110,250
East Texas			400,700	+15,000	385,750	390,600
Southwest Texas			342,350	----	342,350	288,250
Coastal Texas			552,600	----	552,600	516,600
Total Texas	2,140,000	‡2,143,749	2,150,160	+15,000	2,135,200	1,909,650
North Louisiana			68,300	+ 300	68,600	78,750
Coastal Louisiana			289,200	----	289,200	283,100
Total Louisiana	360,000	396,800	357,500	+ 300	357,800	361,850
Arkansas	80,000	80,317	81,550	+ 250	81,500	78,750
Mississippi	53,000		48,150	— 700	48,700	45,800
Alabama	300		300	----	300	----
Florida	----		50	----	50	----
Illinois	198,000		194,500	— 6,550	199,350	218,400
Indiana	12,000		13,200	+ 600	12,850	13,300
Eastern— (Not incl. Ill., Ind., Ky.)	68,200		58,150	+ 650	60,450	71,550
Kentucky	32,000		30,200	+ 750	29,950	21,750
Michigan	47,000		46,800	+ 100	46,700	51,600
Wyoming	100,000		94,850	— 3,150	97,600	98,350
Montana	23,000		19,650	— 750	20,200	20,950
Colorado	9,500		9,350	— 700	9,550	8,500
New Mexico	105,000	105,000	103,150	----	103,150	113,000
Total East of Calif.	3,863,000		3,829,700	— 2,150	3,835,000	3,609,950
California	893,800	§893,800	893,700	— 1,600	891,750	790,200
Total United States	4,756,800		4,723,400	— 3,750	4,726,750	4,400,150

*P.A.W. recommendations and state allowables, as shown above, represent the productive of crude oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. Feb. 1, 1945.

‡This is the net basic allowable as of Feb. 1 calculated on a 28-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 2 to 14 days, the entire state was ordered shut down for 6 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 6 days shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED FEB. 3, 1945

(Figures in thousands of barrels of 42 gallons each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a —Bureau of Mines basis—

District—	% Daily Refining Capacity Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	§Gasoline Production at Ref. Inc. Nat. Blended	‡Stocks of Gas Oil & Dist. Fuel Oil	‡Stocks of Residual Fuel oil	Gasoline Stocks Military and Other	Gasoline Stocks Civilian Grade
East Coast	100.0	728	99.9	1,779	6,794	5,151	6,410	6,338
Appalachian—								
District No. 1	83.9	101	77.7	340	393	260	1,331	1,335
District No. 2	87.2	60	127.7	199	194	233	591	1,121
Ind., Ill., Ky.	85.2	761	92.4	2,926	4,783	2,610	6,391	14,830
Okla., Kans., Mo.	80.2	369	88.3	1,337	1,913	1,238	2,266	6,967
Inland Texas	66.9	232	83.5	921	358	674	1,139	1,724
Texas Gulf Coast	90.5	1,139	97.8	3,393	6,388	8,566	9,968	5,309
Louisiana Gulf Coast	95.5	229	94.6	771	1,538	1,308	2,463	1,944
No. La. & Arkansas	68.0	82	78.8	213	784	258	945	1,856
Rocky Mountain—								
District No. 3	17.0	10	76.9	33	15	28	10	71
District No. 4	58.3	106	75.2	352	340	575	582	1,270
California	89.9	845	103.4	2,271	9,470	29,550	11,278	4,895
Total U. S. B. of M. basis Feb. 3, 1945	87.2	4,662	95.0	14,535	32,370	50,451	*43,374	47,660
Total U. S. B. of M. basis Jan. 27, 1945	87.2	4,756	96.9	14,957	33,651	51,119	42,811	46,412
U. S. Bur. of Mines basis Feb. 5, 1944		4,358		13,114	36,333	52,956	36,263	45,341

*Includes aviation, military, solvents and naphthas, and gasoline blending stocks currently indeterminate as to ultimate use, and 11,830,000 barrels of unfinished gasoline this week, compared with 11,949,000 barrels a year ago.

‡Stocks at refineries, at bulk terminals, in transit and in pipe lines.

§Not including 1,325,000 barrels of kerosine, 4,559,000 barrels of gas oil and distillate fuel oil and 9,377,000 barrels of residual fuel oil produced during the week ended Feb. 3, 1945, which compares with 1,673,000 barrels, 4,843,000 barrels and 9,252,000 barrels, respectively, in the preceding week and 1,620,000 barrels, 4,294,000 barrels and 8,945,000 barrels, respectively, in the week ended Feb. 5, 1944.

Note—Stocks of kerosine at Feb. 3, 1945 amounted to 8,796,000 barrels, as against 9,481,000 barrels a week earlier and 8,187,000 barrels a year before.

Trading on New York Exchanges

The Securities and Exchange Commission made public on Feb. 7 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Jan. 20, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Jan. 20 (in round-lot transactions) totaled 2,994,259 shares, which amount was 14.83% of the total transactions on the Exchange of 10,095,210 shares. This compares with member trading during the week ended Jan. 13 of 3,706,422 shares, or 15.10% of the total trading of 12,274,350 shares. On the New York Curb Exchange, member trading during the week ended Jan. 20 amounted to 725,845 shares, or 13.90% of the total volume on that exchange of 2,544,895 shares. During the Jan. 13 week trading for the account of Curb members of 821,620 shares was 13.39% of total trading of 3,068,495 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED JAN. 20, 1945

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	212,150	
‡Other sales	9,883,060	
Total sales	10,095,210	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	792,150	
Short sales	81,700	
‡Other sales	694,980	
Total sales	776,680	7.77
2. Other transactions initiated on the floor—		
Total purchases	438,210	
Short sales	18,300	
‡Other sales	423,540	
Total sales	441,840	4.36
3. Other transactions initiated off the floor—		
Total purchases	255,734	
Short sales	23,500	
‡Other sales	266,145	
Total sales	289,645	2.70
4. Total—		
Total purchases	1,486,094	
Short sales	123,500	
‡Other sales	1,384,665	
Total sales	1,508,165	14.83

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED JAN. 20, 1945

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	28,790	
‡Other sales	2,516,105	
Total sales	2,544,895	
B. Round-Lot Transaction for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	171,540	
Short sales	7,305	
‡Other sales	200,515	
Total sales	207,820	7.45
2. Other transactions initiated on the floor—		
Total purchases	82,050	
Short sales	7,900	
‡Other sales	87,875	
Total sales	95,775	3.49
3. Other transactions initiated off the floor—		
Total purchases	52,085	
Short sales	6,300	
‡Other sales	92,275	
Total sales	98,575	2.96
4. Total—		
Total purchases	305,675	
Short sales	21,505	
‡Other sales	380,665	
Total sales	402,170	13.90
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	74,893	
Total purchases	74,893	
Total sales	70,574	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Bank Debits for Month of January

The Board of Governors of the Federal Reserve System issued on Feb. 10 its usual monthly summary of "bank debits," which we give below:

SUMMARY BY FEDERAL RESERVE DISTRICTS

(In millions of dollars)

Federal Reserve District—	Jan. 1945	Jan. 1944	—3 Months Ended— Jan. 1945	Jan. 1944
Boston	3,556	3,689	11,561	10,629
New York	37,401	29,476	110,213	86,551
Philadelphia	3,652	3,337	11,671	9,860
Cleveland	4,923	4,827	15,816	14,340
Richmond	2,845	2,572	8,975	7,924
Atlanta	2,803	2,467	8,389	7,476
Chicago	11,701	11,183	37,415	33,505
St. Louis	2,311	2,113	6,990	6,372
Minneapolis	1,440	1,455	4,508	4,374
Kansas City	2,651	2,443	7,977	7,249
Dallas	2,384	2,020	7,045	6,187
San Francisco	7,075	6,321	21,238	18,960
Total, 334 centers	82,743	71,904	251,799	213,427
*New York City	34,990	27,031	102,684	79,293
*140 other centers	40,292	37,960	126,163	113,330
193 other centers	7,461	6,914	22,952	20,804

*Included in the national series covering 141 centers, available beginning in 1919.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Feb. 7 a summary for the week ended Jan. 27 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Jan. 27, 1945

	Total for Week
Odd-Lot Sales by Dealers (Customers' purchases)	
Number of orders	26,898
Number of shares	780,788
Dollar value	$31,337,529
Odd-Lot Purchases by Dealers— (Customers' sales)	
Number of Orders:	
Customers' short sales	217
*Customers' other sales	23,312
Customers' total sales	23,529
Number of Shares:	
Customers' short sales	7,313
*Customers' other sales	675,966
Customers' total sales	683,279
Dollar value	$24,675,884
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	30
†Other sales	150,330
Total sales	150,360
Round-Lot Purchases by Dealers:	
Number of shares	243,590

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders, and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Extends Restricted Mail to Province of Pesaro, Italy

Postmaster Albert Goldman announces information has been received from the Post Office Department, Washington 25, D. C., that effective Feb. 12, 1945, mail service for letters and postcards will be extended to the Province of Pesaro, Italy.

Letters and packages will be accepted for mailing up to a weight limit of 2 pounds 3 ounces. No merchandise of any kind can be enclosed, the service being restricted to communications (personal or business) which are not transactional in character.

The postage rate will be 5 cents for the first ounce and 3 cents for each additional ounce.

Registry service will be available.

As soon as the necessary facilities for the transmission of personal support remittances to individuals in the Province of Pesaro are re-established, proper announcement will be made by the Treasury and War Departments.

The service for parcel post packages containing merchandise is restricted to those addressed for delivery in Rome City, Naples City, Palermo City and Vatican City State.

E. Baird Smith Dies

E. Baird Smith, Director of Public Relations of the American Standards Association, New York, died of a heart attack on Feb. 8 at his home on Old Roaring Brook Road, Chappaqua, N. Y., at the age of 38.

Mr. Smith had come only recently to the American Standards Association from his position as Assistant to the Director of the Conservation Division of the War Production Board. Prior to his work in Washington, Mr. Smith had been associated wtih Young and Rubicam Advertising Agency and the Crowell-Collier Publishing Company.

Born Nov. 19, 1906, son of Mildred Hammar and the late Robert Ritchie Smith. He was graduated from the School of Business, New York University.

Revenue Freight Car Loadings During Week Ended Feb. 3, 1945 Decreased 20,190 Cars

Loading of revenue freight for the week ended Feb. 3, 1945 totaled 738,680 cars, the Association of American Railroads announced on Feb. 8. This was a decrease below the corresponding week of 1944 of 67,034 cars, or 8.3%, and a decrease below the same week in 1943 of 16,834 cars or 2.2%.

Loading of revenue freight for the week of Feb. 3, decreased 20,190 cars, or 2.7% below the preceding week.

Miscellaneous freight loading totaled 363,698 cars, a decrease of 8,520 cars below the preceding week, and a decrease of 9,991 cars below the corresponding week in 1944.

Loading of merchandise less than carload lot freight totaled 93,736 cars, a decrease of 2,545 cars below the preceding week, and a decrease of 8,739 cars below the corresponding week in 1944.

Coal loading amounted to 157,564 cars, a decrease of 7,657 cars below the preceding week, and a decrease of 25,219 cars below the corresponding week in 1944.

Grain and grain products loading totaled 41,732 cars, a decrease of 2,024 cars below the preceding week and a decrease of 13,538 cars below the corresponding week in 1944. In the Western Districts alone, grain and grain products loading for the week of Feb. 3, totaled 29,025 cars, a decrease of 603 cars below the preceding week and a decrease of 9,813 cars below the corresponding week in 1944.

Livestock loading amounted to 14,031 cars, a decrease of 571 cars below the preceding week and a decrease of 1,305 cars below the corresponding week in 1944. In the Western Districts alone loading of livestock for the week of Feb. 3, totaled 10,452 cars, a decrease of 168 cars below the preceding week, and a decrease of 590 cars below the corresponding week in 1944.

Forest products loading totaled 43,449 cars, an increase of 2,677 cars above the preceding week, but a decrease of 2,759 cars below the corresponding week in 1944.

Ore loading amounted to 10,215 cars, a decrease of 1,413 cars below the preceding week and a decrease of 4,656 cars below the corresponding week in 1944.

Coke loading amounted to 14,255 cars, a decrease of 137 cars below the preceding week, and a decrease of 827 cars below the corresponding week in 1944.

All districts reported decreases compared with the corresponding week in 1944 except the Centralwestern. All districts reported increases compared with 1943 except the Eastern, Allegheny and Southwestern.

	1945	1944	1943
4 Weeks of January	3,001,544	3,158,700	2,910,638
Week of February 3	738,680	805,714	755,514
Total	3,740,224	3,964,414	3,666,152

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Feb. 3, 1945. During this period only 42 roads showed increases when compared with the corresponding week a year ago.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED FEB. 3

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1945	1944	1943	1945	1944
Eastern District—					
Ann Arbor	303	259	249	1,409	1,552
Bangor & Aroostook	2,026	2,463	2,321	449	235
Boston & Maine	6,228	6,708	5,754	14,236	15,364
Chicago, Indianapolis & Louisville	1,181	1,400	1,329	2,122	2,228
Central Indiana	31	37	53	46	33
Central Vermont	999	1,020	911	2,721	2,170
Delaware & Hudson	3,781	5,541	6,399	13,508	13,567
Delaware, Lackawanna & Western	5,568	7,392	7,799	8,165	11,108
Detroit & Mackinac	185	160	225	102	117
Detroit, Toledo & Ironton	1,681	2,102	1,846	2,218	1,855
Detroit & Toledo Shore Line	403	323	317	3,220	3,750
Erie	10,053	12,238	12,540	14,271	19,855
Grand Trunk Western	3,513	3,712	3,667	9,050	9,485
Lehigh & Hudson River	132	161	161	3,892	3,532
Lehigh & New England	1,426	1,914	1,922	1,455	1,507
Lehigh Valley	5,654	8,748	7,870	9,366	17,257
Maine Central	2,276	2,444	2,340	3,997	4,254
Monongahela	4,266	5,647	6,035	229	320
Montour	2,116	2,476	2,587	25	19
New York Central Lines	39,863	47,659	45,033	39,082	59,045
N. Y., N. H. & Hartford	9,192	9,868	9,040	17,093	20,133
New York, Ontario & Western	686	927	918	2,325	2,684
New York, Chicago & St. Louis	5,667	6,966	7,078	13,015	18,017
N. Y., Susquehanna & Western	409	549	392	2,602	2,678
Pittsburgh & Lake Erie	6,536	7,742	7,283	5,594	8,001
Pere Marquette	4,520	4,583	4,454	7,309	8,791
Pittsburg & Shawmut	668	854	712	10	35
Pittsburg, Shawmut & North	219	316	305	197	334
Pittsburgh & West Virginia	842	1,259	942	3,014	2,748
Rutland	335	398	285	833	948
Wabash	5,937	6,409	5,807	10,801	13,474
Wheeling & Lake Erie	4,721	5,001	4,626	5,002	5,030
Total	131,447	157,276	151,200	197,358	250,172
Allegheny District—					
Akron, Canton & Youngstown	721	703	745	1,432	1,462
Baltimore & Ohio	35,601	42,600	37,228	25,188	28,389
Bessemer & Lake Erie	2,088	3,302	3,322	1,424	1,489
Buffalo Creek & Gauley	†	†	252	†	†
Cambria & Indiana	967	1,843	1,919	2	2
Central R. R. of New Jersey	5,617	6,558	6,413	18,687	21,490
Cornwall	317	623	445	40	85
Cumberland & Pennsylvania	148	236	261	7	13
Ligonier Valley	70	139	128	46	42
Long Island	1,116	1,386	987	3,282	3,630
Penn-Reading Seashore Lines	1,545	1,684	1,480	2,337	2,659
Pennsylvania System	65,847	78,637	72,656	52,129	68,648
Reading Co.	11,634	15,470	14,006	25,550	31,612
Union (Pittsburgh)	17,384	19,990	20,616	2,910	5,247
Western Maryland	3,233	4,135	3,702	13,050	14,963
Total	146,288	177,314	164,250	146,134	179,771
Pocahontas District—					
Chesapeake & Ohio	27,390	29,210	26,148	11,747	12,310
Norfolk & Western	21,066	22,471	20,911	9,591	7,575
Virginian	4,766	4,593	4,815	2,487	2,404
Total	53,222	56,274	51,874	23,825	22,289
Southern District—					
Alabama, Tennessee & Northern	431	325	389	385	382
Atl. & W. P.—W. R. R. of Ala	842	879	754	2,780	2,464
Atlanta, Birmingham & Coast	988	730	638	1,534	1,399
Atlantic Coast Line	13,721	13,672	14,948	13,120	12,218
Central of Georgia	4,051	4,120	4,060	5,392	5,622
Charleston & Western Carolina	498	411	433	1,861	1,856
Clinchfield	1,714	1,733	1,620	3,707	3,982
Columbus & Greenville	298	318	365	262	352
Durham & Southern	119	91	89	635	849
Florida East Coast	3,091	3,207	3,181	1,534	1,909
Gainesville Midland	75	55	37	163	142
Georgia	1,069	1,155	1,602	2,696	2,697
Georgia & Florida	396	443	400	859	968
Gulf, Mobile & Ohio	4,906	4,231	3,621	4,602	4,234
Illinois Central System	26,838	29,677	25,604	17,904	18,274
Louisville & Nashville	25,373	25,831	25,053	11,653	12,366
Macon, Dublin & Savannah	185	132	179	772	967
Mississippi Central	321	332	249	550	672
Nashville, Chattanooga & St. L.	3,371	3,331	3,301	4,926	5,171
Norfolk Southern	957	1,086	1,197	1,817	1,677
Piedmont Northern	468	430	352	1,440	1,662
Richmond, Fred. & Potomac	527	431	323	9,476	11,902
Seaboard Air Line	10,811	11,110	10,546	9,411	10,078
Southern System	24,353	23,801	21,191	26,487	26,144
Tennessee Central	701	688	475	763	1,114
Winston-Salem Southbound	147	147	108	1,409	1,299
Total	126,251	128,366	120,715	126,138	130,400
Northwestern District—					
Chicago & North Western	15,359	16,264	14,397	13,203	14,430
Chicago Great Western	2,466	2,902	2,475	3,273	3,527
Chicago, Milw., St. P. & Pac.	21,601	22,001	19,399	10,468	11,052
Chicago, St. Paul, Minn. & Omaha	3,310	3,882	3,799	4,064	4,075
Duluth, Missabe & Iron Range	1,317	1,372	1,380	280	222
Duluth, South Shore & Atlantic	658	798	657	580	559
Elgin, Joliet & Eastern	8,393	8,787	8,830	11,883	10,783
Ft. Dodge, Des Moines & South	303	452	329	93	88
Great Northern	10,828	12,475	10,224	5,338	5,763
Green Bay & Western	489	463	443	976	1,044
Lake Superior & Ishpeming	260	267	245	79	70
Minneapolis & St. Louis	*1,906	2,259	1,935	*2,497	2,662
Minn., St. Paul & S. S. M.	4,725	5,431	4,834	3,282	3,910
Northern Pacific	9,401	10,106	8,876	5,602	5,380
Spokane International	244	117	39	614	683
Spokane, Portland & Seattle	2,509	2,246	1,480	3,548	2,829
Total	83,774	89,822	79,342	65,780	67,077
Central Western District—					
Atch., Top. & Santa Fe System	24,038	21,538	20,834	13,948	14,425
Alton	3,534	3,078	3,039	4,481	4,301
Bingham & Garfield	410	536	490	102	95
Chicago, Burlington & Quincy	19,574	21,422	18,822	12,274	12,235
Chicago & Illinois Midland	3,096	2,962	2,773	838	848
Chicago, Rock Island & Pacific	12,039	12,385	11,605	13,648	13,195
Chicago & Eastern Illinois	2,698	2,836	2,291	4,279	5,709
Colorado & Southern	730	747	716	2,150	2,249
Denver & Rio Grande Western	4,033	3,811	3,812	5,988	5,433
Denver & Salt Lake	768	933	862	22	8
Fort Worth & Denver City	906	901	995	1,475	1,597
Illinois Terminal	2,246	2,144	1,622	1,971	1,888
Missouri-Illinois	926	982	861	562	491
Nevada Northern	1,421	1,914	2,021	119	119
North Western Pacific	734	637	577	936	772
Peoria & Pekin Union	7	18	24	0	0
Southern Pacific (Pacific)	29,178	28,848	25,981	14,773	15,659
Toledo, Peoria & Western	297	486	297	1,952	2,186
Union Pacific System	17,272	16,279	13,866	14,976	16,783
Utah	543	713	593	0	4
Western Pacific	1,781	1,441	2,282	3,776	2,779
Total	126,231	124,611	114,363	98,270	100,776
Southwestern District—					
Burlington-Rock Island	392	267	888	556	431
Gulf Coast Lines	6,091	7,584	6,781	2,742	2,548
International-Great Northern	2,695	1,829	3,204	4,160	4,068
Kansas, Oklahoma & Gulf	261	158	350	1,150	1,242
Kansas City Southern	4,650	5,157	5,325	3,041	2,815
Louisiana & Arkansas	3,659	3,275	3,477	3,023	2,615
Litchfield & Madison	326	332	320	1,293	1,228
Midland Valley	662	809	653	475	483
Missouri & Arkansas	165	238	144	602	505
Missouri-Kansas-Texas Lines	6,835	5,303	6,435	5,070	5,580
Missouri Pacific	17,556	16,867	16,828	17,827	20,976
Quanah Acme & Pacific	66	118	112	348	293
St. Louis-San Francisco	9,206	8,524	8,933	8,266	10,661
St. Louis Southwestern	3,437	3,161	3,051	6,937	6,634
Texas & New Orleans	10,289	13,410	12,860	5,880	5,581
Texas & Pacific	5,054	4,921	4,294	8,561	8,521
Wichita Falls & Southern	93	72	95	57	52
Weatherford M. W. & N. W.	30	21	20	45	27
Total	71,467	72,051	73,770	70,033	74,260

*Previous week's figure. †Included in Baltimore & Ohio RR.

Note—Previous year's figures revised.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1944—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity	
				Current	Cumulative
November 4	207,817	157,644	535,745	96	94
November 11	141,154	158,266	515,738	96	94
November 18	135,644	156,667	494,062	96	94
November 25	110,144	149,062	450,898	91	94
December 2	189,731	154,682	484,811	94	94
December 9	173,669	154,822	501,946	95	94
December 16	137,936	152,695	480,929	94	94
December 23	126,115	149,031	451,891	94	94
December 30	109,895	88,105	471,289	57	93
Period 1945—Week Ended					
January 6	189,769	125,882	532,194	80	80
January 13	149,921	150,011	524,308	95	87
January 20	131,901	150,876	503,240	94	89
January 27	159,885	152,075	510,931	95	91
February 3	204,550	148,139	565,064	92	91

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Results Of Treasury Bill Offering

The Secretary of the Treasury announced on Feb. 9 that the tenders of $1,300,000,000 or thereabouts, of 91-day Treasury bills to be dated Feb. 15 and to mature May 17, 1945, which were offered on Jan. 23, were opened at the Federal Reserve Banks on Feb. 9.

The details of this issue are as follows:

Total applied for, $1,891,825,000.

Total accepted, $1,300,100,000 (includes $50,292,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price 99.905, equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.911, equivalent rate of discount approximately 0.352% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(64% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Feb. 15 in the amount of $1,300,604,000.

More War Financing in '44 by FHLB Members

Participation in war financing by member thrift institutions of the Federal Home Loan Bank System amounted to $1,654,000,000 in 1944, 40% above the total for 1943, James Twohy, Governor of the System, announced on Feb. 3. Since the beginning of the Treasury's sale of War Bonds in 1941, those institutions have accounted for $3,115,000,000 in war financing, Governor Twohy said. The total consists of $1,106,000 in sales of War Bonds to the public and $2,009,000,000 in purchases of Government securities by the savings and loan associations and other home financing institutions of the Federal Home Loan Bank System.

The Federal Home Loan Bank Administration advices continued:

"During last November and December—which included the period of the Sixth War Loan Drive—169 of the 3,700 member institutions of the Home Loan Bank System each succeeded in selling bonds in amounts equivalent to more than 10% of their assets.

"Constantly increasing purchases of Government securities by savings and loan associations for their own investment have been made possible by their record inflow of savings from the public since Pearl Harbor, together with narrowed mortgage loan outlets for their funds because of wartime restrictions on new home building," Governor Twohy said.

Lumber Movement—Week Ended Feb. 3, 1945

According to the National Lumber Manufacturers Association, lumber shipments of 471 mills reporting to the National Lumber Trade Barometer were 13.8% above production for the week Feb. 3, 1945. In the same week new orders of these mills were 10.6% more than production. Unfilled order files of the reporting mills amounted to 98% of stocks. For reporting softwood mills, unfilled orders are equivalent to 38 days' production at the current rate, and gross stocks are equivalent to 36 days' production.

For the year-to-date, shipments of reporting identical mills exceeded production by 7.6%; orders by 20.0%.

Compared to the average corresponding week of 1935-39, production of reporting mills was 52.6% greater; shipments were 40.8% greater; and orders were 33.4% greater.

Items About Banks, Trust Companies

N. Baxter Jackson, First Vice-President of the Chemical Bank & Trust Company of New York, announced on Feb. 8 that W. Donald Jordan was appointed Assistant Treasurer at a meeting of the Board of Directors held Feb. 7. Mr. Jordan graduated from the Columbia University School of Business in the class of 1922 and joined the staff of the bank in 1930.

The Depositors Trust Co. of Augusta, Me., recently announced its intention to increase its capital stock by offering 10,000 shares of stock at $25 par for $35 per share to the present stockholders, in the ratio of one new for four existing shares.

The Boston "News Bureau" advices further stated:

"Period in which subscription rights may be exercised will run from Feb. 8 to March 3. This bank has the largest volume of deposits of any commercial bank in Maine, amounting at Dec. 31 last to around $30,000,000.

"The proposed addition will increase capital to 50,000 shares, after which the bank will have capital of $1,250,000, surplus of $625,000 and undivided profits of $535,000, a total of $2,410,000."

Ernest E. Rogers, former Lieutenant Governor of Connecticut, and President of the Winthrop Trust Co., New London, Conn., since 1922, died on Jan. 28 at 79 years of ago. Associated Press advices from New London said:

"Mr. Rogers, former Mayor of New London and one-time State Treasurer, was Republican candidate for Governor in 1930, being defeated by Dr. Wilbur L. Cross. He was former President of the Connecticut State Chamber of Commerce.

Thomas A. Loughlin was recently advanced to President and Treasurer from Secretary and Treasurer of the United States Savings Bank, Newark, N. J., it was announced by Benjamin Fairbanks, President of the bank, who added that Mr. Loughlin was also elected a member of the Board's Finance Committee. The Newark "News," from which this is learned, said:

"He [Mr. Loughlin] is First Vice-President and member of the Executive Committee of the New Jersey Savings Banks Association, Second Vive-President of the Essex County Bankers Association and is a member of the Board of Governors of Essex County Chapter, American Institute of Banking."

Charles N. Caldwell, Vice-President and Director of the First National Bank, Nutley, N. J., died on Feb. 1 at the age of 78. Mr. Caldwell, who held posts with the bank for 12 years, retired as General Manager of the Eastman Machine Corp. of New York in 1929.

W. Logan McCoy, President of the Provident Trust Co., Philadelphia, Pa., announced recently the following among changes in the staff of the bank:

Charles F. Nagel, from Assistant Treasurer to Assistant Vice President; Louis F. Richter, appointed Assistant Treasurer; Louis J. Knodel, from Trust Officer to Senior Trust Officer; Robert Coltman, from Assistant Trust Investment Officer to Assistant Vice-President; Hamilton M. Redman, Frank G. Royce and Allen G. Powell, from Assistant Trust Officers to Trust Officers.

The election of Richard O. Ludebuehl, formerly Assistant Treasurer, as Trust Officer of the Union Trust Co. of Pittsburgh, Pittsburgh, Pa., was recently announced, according to the "Post-Gazette" of Pittsburgh, which also reported that "other officers also named were: Milton C. Smith, Investment Officer; Walter T. Schmitt, Assistant Treasurer, and Fred G. DeLong, Assistant Secretary.

The Maryland Trust Co., Baltimore, Md., announced on Feb. 1 the election of Alexander Gordon, 3rd, as Trust Officer, succeeding the late George B. Pelton. "Mr. Gordon," according to the Baltimore "Sun," "was formerly associated with the law firm of Armstrong, Machen, Allen and Eney."

The election of Guy T. O. Hollyday, President of the Title Guarantee & Trust Co. of Baltimore; John M. Nelson, Jr., President of Nelson Corp.; and D. Luke Hopkins, Vice-President of the Maryland Trust Co., as Directors of the Savings Bank of Baltimore, Baltimore, Md., was announced on Feb. 6, following the annual meeting of the bank.

Charles Sindlinger, Vice-President of the Lincoln National Bank, Cincinnati, O., and one of the city's oldest bankers, announced on Jan. 30 his intention to retire. He has been connected with the Lincoln National for 62 years. The Cincinnati "Enquirer" in reporting this said:

Mr. Sindlinger joined the bank in 1883, was appointed Assistant Cashier in 1917, and was named Vice-President in 1939.

After it had been issued a State charter on Feb. 2, the Steel City Bank of South Chicago, Chicago, Ill., opened its doors for business the next day. The Chicago "Journal of Commerce" in reporting the opening of the new bank said:

"More than 300 stockholders have purchased 20,000 shares of stock at $13.50. The bank is capitalized at $200,000, with a surplus of $50,000 and a reserve of $20,000. The officers are: Eugene A. Dufresme, President; N. A. Uddman, Joseph C. Brodzinski, and Harry Brainin, Vice-President; Walter T. Larsen, Cashier; Francis A. Shupryt, and William C. Howell, Assistant Cashiers."

The election of Dewey Shillerston as Trust Officer of the City National Bank, Kansas City, Mo., by the Directors, was made known on Feb. 8 by the Kansas City "Star," which added:

"Mr. Shillerston has been in the banking business for 18 years. He came to the City National two years ago, previously having been with the Union National Bank of Kansas City.

A small group headed by F. Donald McDonald, formerly Trust Officer of the Mutual Bank & Trust Co. of St. Louis, and Herold D. Ruel, formerly Assistant Trust Officer of Mutual Bank, has purchased control of Baden Bank in St. Louis from Alex Berger and some of his associates, according to the St. Louis "Globe-Democrat," on Feb. 6, which also said:

Mr. McDonald was elected President to succeed Mr. Berger. James A. Reid, Executive Vice-President; Mr. McDonald, and Mr. Ruel were elected to the Board to succeed Louis Jacobsmeyer, Eugene A. Freund and Sam M. Degen, all of whom sold their stock. No other changes were made in the directorate. Mr. Berger remains a director.

He had bought control and became President early in 1941.

Total capital, surplus and undivided profits are nearly $500,000, and total deposits Dec. 31, 1944, were $7,759,000 compared to $2,890,000 on Dec. 31, 1940.

The directors of the Midland Bank, Lt., report that, after appropriation to contingency accounts, out of which full provision has been made for all bad and doubtful debts, and net profit for the year 1944 amounts to £2,038,274 which, with £682,830 brought forward, makes £2,721,104 out of which the following appropriations amounting to £1,406,345 have been made: To interim dividend, paid July 15, 1944, for the half-year ended June 30, 1944, at the rate of 8% actual (1s. 7⅕d. per £1 of share capital paid up) less income tax, £606,345; to reserve fund, £700,000; to reserve for future contingencies, £100,000, leaving a sum of £1,314,759 from which the directors recommend a dividend, payable Feb. 1, next, for the half-year ended Dec. 31, 1944, at the rate of 8% actual (1s. 7⅕d. per £1 of share capital paid up) less income tax, £606,345, and a balance to be carried forward to the next account, £708,414.

The bank further reported that the total amount of available funds for 1944 is £2,721,104, compared with £2,645,520 for 1943 and £2,623,813 two years ago while total amount carried forward at the present time is £708,104, against £682,830 and £661,123 for 1943 and 1942, respectively.

The Board of Directors of Swiss Bank Corporation at a meeting held in Basle, Switzerland, on Feb. 6, approved accounts for 1944, showing net profits including carry over of 10,510,496 Swiss francs, against 10,241,943 Swiss france for 1943, and total assets of 1,540,016,463 Swiss francs against 1,473,255,671 Swiss francs. At the general meeting to be held on March 2, the Board of Directors will propose a 4% dividend (same as last year), after which there would be a carry over of 4,110,496 francs, against 3,841,943 francs.

N. Y. Community Trust Disbursements in 1944

Appropriations by the New York Community Trust for charitable purposes reached a new high in 1944 when $558,746.35 was paid out, compared with $550,816 in the preceding year, Ralph Hayes, Director of the Institution announced recently. Disbursements were made from 46 memorial funds to 188 organizations. Payments went to 22 states; New York received the largest proportion, $400,071, followed by California which received $25,250.

The principal beneficiary was the Salvation Army to which $65,692 was paid. To the James Foundation, organized by the Community Trust for operations principally in Missouri, $50,000 was disbursed, and the Visiting Nurse Service of New York received $40,218. The American Red Cross was given $34,576 in 12 cities; St. Mary's Hospital for Children, $28,000; the Community Service Society, $27,586; and the Y. M. C. A., $16,697.

Other recipients included Memorial Hospital, $16,185; Hebrew University in Palestine, $15,029; Mt. Sinai Hospital, $15,000; United Hospital Fund, $14,130; and National War Fund, $11,500. Grants in Westchester County rose from $10,773 in 1943 to $11,833 last year.

Continuing a development first noted in 1942, less than half of last year's payments — 48.7% — came from "designated" funds, having attached to them precise preferential statements by their founders concerning their use. "Semi-designated" funds, whose founders indicate a general area of use within which the Community Trust makes more specific allocations, accounted for 50.7% of outpayments. The remaining .6% came from "designated" funds.

Grants by the Community Trust, which began with a total appropriation of $20 in 1924, attained in annual volume of $200,000 in 1934, and $500,000 in 1942. Cumulative payments are now $4,613,965.

Roosevelt Asks Congress To Approve Bretton Woods Plans

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the first crisis, in the situation that confronts us, loans and guarantees by agencies of Government will be essential.

We all know, however, that a prosperous world economy must be built on more than foreign investment. Exchange rates must be stabilized and the channels of trade opened up throughout the world. A large foreign trade after victory will generate production, and therefore wealth. It will also make possible the servicing of foreign investments.

Almost no one in the modern world produces what he eats and wears and lives in. It is only by the division of labor among people and among geographic areas, with all their varied resources, and by the increased all-around production which specialization makes possible, that any modern country can sustain its present population. It is through exchange and trade that efficient production in large units becomes possible. To expand the trading circle, to make it richer, more competitive, more varied, is a fundamental contribution to everybodys wealth and welfare.

It is time for the United States to take the lead in establishing the principle of economic cooperation as the foundation for expanded world trade. We propose to do this, not by setting up a super-government, but by international negotiation and agreement, directed to the improvement of the monetary institutions of the world and of the laws that govern trade.

We have done a good deal in those directions in the last ten years under the Trade Agreements Act of 1934 and through the stabilization fund operated by our Treasury. But our present enemies were powerful in those years too, and they devoted all their efforts not to international collaboration, but to autarchy and economic warfare. When victory is won we must be ready to go forward rapidly on a wide front. We all know very well that this will be a long and complicated business.

Nature of Agreements

A good start has been made. The United Nations monetary conference at Bretton Woods has taken a long step forward on a matter of great practical importance to us all. The conference submitted a plan to create an international monetary fund which will put an end to monetary chaos. The fund is a financial institution to preserve stability and order in the exchange rates between different moneys. It does not create a single money for the world; neither we nor anyone else is ready to do that. There will still be a different money in each country, but with the fund in operation the value of each currency in international trade will remain comparatively stable. Changes in the value of foreign currencies will be made only after careful consideration by the fund of the factors involved.

Furthermore, and equally important, the fund agreement establishes a code of agreed principles for the conduct of exchange and currency affairs. In a nutshell, the fund agreement spells the difference between a world caught again in the maelstrom of panic and economic warfare culminating in war—as in the Nineteen Thirties—or a world in which the members strive for a better life through mutual trust, cooperation and assistance. The choice is ours.

I therefore recommend prompt action by the Congress to provide the subscription of the United States to the international monetary fund and the legislation necessary for our membership in the fund.

The international fund and bank together represent one of the most sound and useful proposals for international collaboration now before us. On the other hand, I do not want to leave with you the impression that these proposals for the fund and bank are perfect in every detail.

It may well be that the experience of future years will show us how they can be improved. I do wish to make it clear, however, that these articles of agreement are the product of the best minds that forty-four nations could muster. These men, who represented nations from all parts of the globe, nations in all stages of economic development, nations with different political and economic philosophies, have reached an accord which is presented to you for your consideration and approval. It would be a tragedy if differences of opinion on minor details should lead us to sacrifice the basic agreement achieved on the major problems.

Nor do I want to leave with you the impression that the fund and the bank are all that we will need to solve the economic problems which will face the United Nations when the war is over. There are other problems which we will be called upon to solve. It is my expectation that other proposals will shortly be ready to submit to you for your consideration.

Must Repeal Johnson Act

These will include the establishment of the food and agriculture organization of the United Nations, broadening and strengthening of the Trade Agreements Act of 1934, international agreement for the reduction of trade barriers, the control of cartels and the orderly marketing of world surpluses of certain commodities, a revision of the Export-Import Bank, and an international oil agreement, as well as proposals in the field of civil aviation, shipping and radio and wire communications. It will also be necessary, of course, to repeal the Johnson Act.

In this message I have recommended for your consideration the immediate adoption of the Bretton Woods agreements and suggested other measures which will have to be dealt with in the near future. They are all parts of a consistent whole.

That whole is our hope for a secure and fruitful world, a world in which plain people in all countries can work at tasks which they do well, exchange in peace the products of their labor and work out their several destinies in security and peace; a world in which Governments, as their major contribution to the common welfare, are highly and effectively resolved to work together in practical affairs and to guide all their actions by the knowledge that any policy or act that has effects abroad must be considered in the light of those effects.

The point in history at which we stand is full of promise and of danger. The world will either move toward unity and widely shared prosperity or it will move apart into necessarily competing economic blocs.

We have a chance, we citizens of the United States, to use our influence in favor of a more united and cooperating world. Whether we do so will determine, as far as it is in our power, the kind of lives our grandchildren can live.

FRANKLIN D. ROOSEVELT.
The White House.
Feb. 12, 1945.